GOVERNMENT PERFORMANCE PROJECT

COUNTY GOVERNMENT SURVEY
FINANCIAL MANAGEMENT SECTION

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PLEASE REFER QUESTIONS TO:

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FINANCIAL MANAGEMENT

This section is designed to measure the extent to which your county engages in sound financial management practices, including: budget preparation and execution; cash, contract, debt and revenue management; and accounting and financial reporting procedures. Additionally, we seek to understand how your overall financial management system is linked to the achievement of your county's strategic goals and objectives.

BACKGROUND TO THE GOVERNMENT PERFORMANCE PROJECT

Since 1996, under the auspices of The Pew Charitable Trusts, the Maxwell School of Citizenship & Public Affairs at Syracuse University, in partnership with *Governing* magazine, has rated the management performance of local and state governments and selected federal agencies in the United States. The project, called the Government Performance Project (GPP), is administered by the Maxwell School's Alan K. Campbell Public Affairs Institute.

The project aims to improve the understanding and practice of government management throughout the United States on the city, county, state, and federal levels. It evaluates the effectiveness of management systems by considering government performance in five categories: financial management, human resource management, information technology, capital management, and managing for results. Each category is addressed by a separate section in this survey. For each category, governments are evaluated based on this survey, interviews, and an analysis of published documents.

While the project highlights overall management capacity, it focuses on the role of leadership, the integration of the five categories, as well as the communication of government performance issues to the citizenry.

In 1998 the project studied and rated government performance of the 50 states and 15 federal agencies. The results were published in the February 1999 issues of *Governing* and *Government Executive*. The results were also widely reported by leading print, radio, and television media.

In 1999 the project evaluated government performance in the top 35 U.S. cities by revenue and of five federal agencies. These results were published in the February 2000 issue of *Governing* and the March 2000 issue of *Government Executive*.

In 2000 the GPP reevaluated the 50 states and the results were published in the February 2001 issue of *Governing*. This year the GPP will evaluate 40 County governments.

The Maxwell School will add the data collected to its clearinghouse of information and continue to expand this resource of government management practices. Ultimately, government entities will have the opportunity to learn from one another and exchange valuable information through the efforts of this project.

GPP CONTACT PERSON

For more information on the GPP, please visit our website at: www.maxwell.syr.edu/gpp. If you have any questions regarding this survey or the GPP in general, please direct your inquiries to Anthony Stacy, at gpp@maxwell.syr.edu or 315-443-9707.

FINANCIAL MANAGEMENT EVALUATION CRITERIA:

1. Government has a multi-year perspective on budgeting.
   - Government produces meaningful current revenue and expenditure estimates.
   - Government produces meaningful future revenue and expenditure forecasts.
   - Government can gauge the future fiscal impact of financial decisions.

2. Government has mechanisms that preserve stability and fiscal health.
   - Government's budget reflects a structural balance between ongoing revenues and expenditures.
   - Government uses counter-cyclical or contingency planning devices effectively.
   - Government appropriately manages long-term liabilities, including pension funds.
   - Government appropriately uses and manages debt.
   - Government's investment and cash management practices appropriately balance return and solvency.

3. Sufficient financial information is available to policymakers, managers, and citizens.
   - Government produces accurate, reliable, and thorough financial reports.
   - Useful financial data is available to government managers.
   - Government communicates budgetary and financial data to citizens.
   - Government produces financial reports in a timely manner.
   - Government is able to gauge the cost of delivering programs or services.
   - Government budget is adopted on time.

4. Government has appropriate control over financial operations.
   - Government balances sufficient control over expenditures with sufficient managerial flexibility.
   - Government effectively manages procurement, including contracts for delivery of goods and services.
   - Government has recovery plans and programs to support business continuation after a disaster.

DEFINITIONS OF TERMS USED IN THIS SURVEY:

Contingency reserve funds: Any funds (including rainy day funds, but perhaps others) that are set aside during normal times, to be drawn down during times of fiscal stress.

Cost accounting: The gathering and processing of cost information for external reporting and internal decision-making. A key characteristic of cost accounting is the ability to relate costs (including overhead costs, such as those related to budgeting, personnel, or technology) to individual programs or activities.

Department: Any administrative subdivision or unit of government (also in some cases called a board, bureau, or commission etc.) having the primary purpose of executing some governmental functions or laws.

Division: An administrative subdivision of a department (as defined above).

GAAP: Generally Accepted Accounting Principles promulgated by the Governmental Accounting Standards Board.

General obligation debt: Debt issued by a governmental unit that is backed by the full faith and credit of the government (in other words, the debt is to be repaid from general tax revenues).

Line item: Detailed accounting codes attached to spending items. Within the object classification "personnel," a line item might be "wages and salaries for full-time teachers."

Object classification: A broad class of spending, such as personnel or travel.

Rainy day fund: A fund that is used for fiscal stabilization, to forestall the need to reduce service levels or raise taxes in the event of temporary revenue shortfalls or unforeseen one-time expenditures. Such a fund is also often called a "stabilization fund" or a "contingency fund." Rainy day funds are formally separate from the general fund, as legally required reserves. The benchmark for rainy day fund balances is usually 5% of the general fund expenditures. Legislative approval is usually required for withdrawal of these funds.

Revenue debt: Debt issued by a governmental unit that has more limited backing. Usually, this type of debt is to be repaid from revenues generated by the enterprise for which the debt was issued.

Supplemental appropriation: An additional appropriation enacted for a fiscal year (or biennium) that has already begun, for an activity that was under funded, over funded, or unanticipated in the original enacted budget.

Unreserved, undesignated general fund balances: Discretionary reserves that governments use for many purposes, including fiscal stabilization, although they are not formal rainy day funds.

INSTRUCTIONS FOR COMPLETING THE SURVEY ELECTRONICALLY:

This document is a Microsoft Word form. A form is a structured document with spaces reserved for entering information. This survey, containing check-boxes and fill-ins, can be viewed and completed in Word.

- *To check a box:* Use your mouse to move the arrow over the box you want to check and click once. To uncheck the box, click again.

- *To enter text in a fill-in box:* Move your mouse over the gray box. The arrow will change to a cursor. Click once to highlight the box. Begin typing. All fill-ins have unlimited capacity.

To enable electronic completion, the file has been password protected. Text can only be written in fill-in boxes. To provide comments on a question, include a separate page of comments with reference to the question number.

If you encounter difficulties completing the survey electronically, you may contact the project manager at (315) 443-9707 for troubleshooting assistance. The document can also be printed and filled in manually.

PLEASE SUBMIT THE FOLLOWING DOCUMENTS AND INFORMATION WITH THE SURVEY:

(Note: *If these materials are available online, you may simply identify the URL at which they may be found.)*

☒ The most recent available copy of all budget documents your county publishes, including (but not limited to) the following: **(A)**

☒ The summary of your county's proposed (or Executive) budget

FY 2001-02 Recommended Tentative Budget. See Attachment FM-Document/ Information Requested (A)-1.

FY 2001-02 Tentative Budget. See Attachment FM-Document/Information Requested (A)-2.

☒ A copy of your county's adopted (or actual) budget

FY 2001-02 Final Adopted Budget. See Attachment FM-Document/Information Requested (A)-3.

FY 2000-01 Annual Business Strategies (ABS). See Attachment FM-Document/Information Requested (A)-4.

☒ A set of your county's published financial reports from 1992-2000, preferably Comprehensive Annual Financial Reports; but if your county does not produce CAFR's please send your Annual Financial Reports **(B)**

Please see Attachments FM-Document/Information Requested (B)-1 through (B)-9 for copies of the Maricopa County Comprehensive Annual Financial Reports (CAFR) from 1992-2000.

☒ Any other publicly distributed or available documents that communicate financial information to citizens **(C)**

Maricopa County Citizen's Calendar 2001. See Attachment FM-Document/ Information Requested (C)-1.

"Maricopa County Review: A Presentation of the Maricopa County Budget", The Arizona Republic, June 2001. See Attachment FM-Document/Information Requested (C)-2.

State Budget Forms. See Attachment FM-Document/Information Requested (C)-3.

Notice of FY 2001-02 public budget meetings, The Arizona Republic, May 2001. See Attachment Document/Information Requested (C)-4.

☒ Projections of your county's debt ratios (unless these are included in your CAFR) **(D)**

Included in CAFR

☒ Projections of your county's debt capacity (unless these are included in your CAFR) **(E)**

Included in CAFR

☒ Copies of the local public finance laws or regulations under which your county operates. If there are no local laws, please provide copies of the state laws that stipulate practice in your county in the areas of contracting, procurement, debt management, investment, and rainy day (or other contingency) funds **(F)**

Procurement Code. See Attachment FM-Document/Information Requested (F)-1.

Financial Management Statutes and Regulations. See Attachment FM-Document/Information Requested (F)-2.

Budgeting for Results Accountability Policy. See Attachment FM-Document/Information Requested (F)-3.

General Government Policy and Procedures. See Attachment FM-Document/Information Requested (F)-4.

Budgeting for Results Policy Guidelines. See Attachment FM-Document/Information Requested (F)-5.

Reserve and Tax Reduction Policy Guidelines. See Attachment FM-Document/Information Requested (F)-6.

Funded Positions Policy. See Attachment FM-Document/Information Requested (F)-7.

General Fund Vehicle Replacement Policy. See Attachment FM-Document/Information Requested (F)-8.

Managing for Results Policy. See Attachment FM-Document/Information Requested (F)-9.

Petty Cash Policy. See Attachment FM-Document/Information Requested (F)-10.

☒ Copies of any other formal written financial management policies that pertain to contracting, procurement, debt management, and investment **(G)**

Debt Management Plan. See Attachment FM-Document/Information Requested (G)-1. Also available at http://www.maricopa.gov/finance/debtplan/debtplan.pdf.

☒ A list of websites that the public can use to find financial information about your county **(H)**

Maricopa County Department of Finance - http://www.maricopa.gov/finance/default.asp

Maricopa County Office of Management and Budget - http://www.maricopa.gov/budget/default.asp

Maricopa County Materials Management Department - http://www.maricopa.gov/materials/default.asp

Maricopa County Risk Management Department - http://www.maricopa.gov/riskmgt/default.asp

Maricopa County Treasurer's Office - http://treasurer.maricopa.gov/default.asp

Maricopa County Citizens Summary Financial Report, June 30, 2000 - http://www.maricopa.gov/finance/popular.asp

2000 County Tax Rates - http://www.maricopa.gov/finance/taxrate/taxrate.pdf

Ellito D. Pollack & Co., Economic Consultant for Maricopa County - http://www.arizonaeconomy.com/index.asp

(I) The following items are attached as a general reference:

Informational flier highlighting the Internal Audit Department's receipt of National Association of local Government Auditors' (NALGA) Special Project Award for 2000. See Attachment FM-Document/ Information Requested (I)-1.

Sample Internal Audit Progress Report (July 2001). See Attachment FM-Document/ Information Requested (I)-2.

Maricopa County 2000 Tax Levy. See Attachment FM-Document/ Information Requested (I)-3.

Maricopa County Medical Center Report on Audit of Financial Statements (June 30, 2000). See Attachment FM-Document/ Information Requested (I)-4.

Maricopa County AHCCCS and ALTCS Plans Report on Audit of Financial Statements (June 30, 2000). See Attachment FM-Document/ Information Requested (I)-5.

Internal Audit Financial Condition Report, FY 1998-99. See Attachment FM-Document/ Information Requested (I)-6.

Maricopa Integrated Health System May 2001 Financials. See Attachment FM-Document/ Information Requested (I)-7.

Maricopa County Economic Outlook (June 27, 2001), Elliot D. Pollack & Co. See Attachment FM-Document/ Information Requested (I)-8.

Investment Goals and Objectives. See Attachment FM-Document/ Information Requested (I)-9.

Maricopa County Treasurer Investments Portfolio Report (April 30, 2001). See Attachment FM-Document/ Information Requested (I)-10.

Sample Monthly Discount Summary. See Attachment FM-Document/ Information Requested (I)-11.

Sample FY 2000-01 Monthly Financial Report (April 2000). See Attachment FM-Document/ Information Requested (I)-12.

Letter concerning the April distributions to the Maricopa County Stadium District. See Attachment FM-Document/ Information Requested (I)-13.

PLEASE ANSWER THE FOLLOWING QUESTIONS ABOUT FINANCIAL MANAGEMENT:

General note: Where this survey requests figures for FY2001, please provide estimates if actual figures are unavailable. In each case, note whether the figure you have provided is actual or estimated.

PART 1: BUDGETING, ACCOUNTING, AND FINANCIAL REPORTING

1. Please provide the following estimated and actual figures for revenues and expenditures *for your county's general fund*. Please report these figures separately for federal and state intergovernmental funds and own-source funds for fiscal years 1998 through 2001.

   Please note: These figures should include only current year revenues, and not any carry forward balances. The estimated column should reflect the last estimate that was made prior to the adoption of the budget.

FY	Source	Estimated Revenues	Estimated Expenditures	Actual Revenues	Actual Expenditures
01	Federal Intergovernmental	$78,000	$78,000	$78,000	$78,000
	State Intergovernmental	$411,787,025	$411,787,025	$411,787,025	$411,787,025
	Own-source	$286,233,138	$202,957,485	$286,233,138	$202,957,485
00	Federal Intergovernmental	$78,000	$78,000	$89,979	$89,979
	State Intergovernmental	$364,351,806	$364,351,806	$398,401,277	$398,401,277
	Own-source	$270,437,180	$263,286,575	$274,053,313	$113,717,593
99	Federal Intergovernmental	$68,800	$68,800	$140,571	$140,571
	State Intergovernmental	$332,935,498	$332,935,498	$361,852,983	$361,852,983
	Own-source	$258,590,220	$347,941,878	$268,779,400	$300,037,416
98	Federal Intergovernmental	$72,000	$72,000	$137,763	$137,763
	State Intergovernmental	$312,773,599	$312,773,599	$325,464,773	$325,464,773
	Own-source	$255,151,557	$309,060,054	$247,846,778	$280,932,018

2. What significant county activities are funded outside the general fund?

Maricopa Integrated Health System (MIHS) (26% of total budgeted expenditures): MIHS is an integrated system that includes the Maricopa Medical Center, eleven primary care centers, and four managed-care plans, nearly all of which are financially managed as enterprise funds. The managed care plans include Maricopa Health Plan and the Long Term Care Plan, which are program contractors to the Arizona Health Care Cost Containment System (AHCCCS), the State of Arizona's Medicaid program. The Medical Center and clinics, along with a network of contracted providers, provide high quality, cost-effective medical and long-term care services to plan members and the community. They operate the only accredited Burn Center in the State. Maricopa Medical Center also provides a unique venue for professional medical education.

Transportation Fund (6% of total budgeted expenditures): The Maricopa County Department of Transportation (MCDOT) plans and implements an environmentally-balanced multi-modal transportation system that provides local transportation in unincorporated areas and meets regional transportation needs throughout the County. Operations and capital improvement projects are funded primarily by apportioned state-shared highway user revenues, which include state gas taxes.

Flood Control District (5% of total budgeted expenditures): The Maricopa County Flood Control District provides flood control facilities and regulates floodplains in order to protect lives and property throughout Maricopa County. Operations and capital improvements are funded mainly by a secondary property tax levy.

Detention Fund (5% of total budgeted expenditures): This fund was established under the authority of propositions 400 and 401, which were approved by County voters in 1998. These propositions authorized a 1/5 cent jail excise tax that sunsets after nine years or $900 million. The jail excise tax is to be used for construction and operation of new adult and juvenile detention facilities, along with crime prevention programs and alternatives to incarceration. The enabling statute requires the County to fund current detention operations out of this fund, supported by a formula-driven "maintenance of effort" transfer from the General Fund. Because the Jail Excise Tax is essentially a non-recurring revenue, the Board of Supervisors has set a policy of supporting all current and new jail and juvenile detention operating costs from the General Fund, even if this requires a General Fund contribution greater than the statutory maintenance of effort amount (see Budgeting for Results Policy Guidelines, Attachment FM-Document/Information Requested (F)-5.

Public Health (2% of total budgeted expenditures): Public Health protects, improves and preserves the physical, mental and social well-being, and environment of the entire population of Maricopa County with a special responsibility to serve those most vulnerable. While a significant portion of Public Health's operations are supported by the General Fund, most expenditures are funded by federal and state grants.

Environmental Services (1% of total budgeted expenditures): Environmental Services regulates activities that affect environmental quality in the region. Major programs include air quality and environmental health permitting, which are supported by permit fee revenues and grants.

Human Services, Housing & Community Development (3% of total budgeted expenditures): These three departments administer a variety of federally-funded programs, including Head Start, in coordination with municipalities.

3. Did actual expenditures exceed estimated expenditures by more than 2% for any county department last year? If so, please identify the department (or departments) and explain the reason(s) for the difference between estimated and actual expenditures.

In FY 1999-00, actual expenditures exceeded appropriations for the following departments/funds:

Animal Control/General Fund - Actual expenditures of $236,331 exceeded the appropriation level of $229,035, for a negative variance of $7,296 (3.2%). The Animal Control overrun was due to an error in estimating County versus municipal shares of total program costs. The Animal Control General Fund budget for FY 1999-00 was to provide animal control services within the unincorporated areas of the County. Unfortunately, the overrun was not apparent until after the close of the fiscal year, at which point the Board of Supervisors could not legally adjust budgets. This department has been placed on line-item review in accordance with the Board's Budgeting for Results Accountability Policy (see Attachment FM-Document/Information Requested (F)-3).

Stadium District/Bank One Ball Park Capital Reserve - Actual expenditures of $37,795 exceeded a budget of $3,500, an overrun of $34,295. The Stadium District received a special sales tax for construction of the Bank One Ballpark until FY 1997-98, at which point the tax sunsetted. Toward the end of FY 1999-00, the Arizona Department of Revenue paid a refund of prior years' taxes to certain taxpayers, and a portion was assessed from the Stadium District. The refund had to be posted as an expense to the District, and was not avoidable or controllable. The Stadium District was notified of the refund very late in the fiscal year, and the impact of this unusual transaction on the District's budget was not determined until after the year-end close, when the proper accounting of the refund was finalized. It was too late at that point to request a budget increase from the District Board of Directors (see letter from Department of Revenue, Attachment FM 3-1).

4. On what dates were the budgets for the past five fiscal years approved?

FY	Date of county legislative body approval	Date of state approval (if required)
2001	June 22, 2000	N/A
2000	June 21, 1999	N/A
1999	June 22, 1998	N/A
1998	June 23, 1997	N/A
1997	June 17, 1996	N/A

5. Were any of the following actions taken during any of the past three fiscal years in order to balance the general fund budget? (Note: For each, please indicate the dollar amount used. If 2001 figures are unavailable, please provide estimates and send us actual figures when they are available.)

ACTION:	FY2001	FY2000	FY1999
Use of carry-forward balances in the general fund	$0	$0	$0
Non-routine transfers from other funds	$0	$0	$0
Sale of assets	$0	$0	$0
Reduction of contributions to pension funds	$0	$0	$0
Use of emergency or contingency funds	$0	$331,294	$0
Delay of bills	$0	$0	$0

Short-term borrowing	$0	$0	$0
Use of other non-recurring resources	$0	$0	$0

Please explain the extent to which these resources were used to finance ongoing versus one-time expenditures.

Maricopa County has followed a strict policy of maintaining structurally-balanced budgets (see Budgeting for Results Policy Guidelines, Attachment FM-Document/Information Requested (F)-5). In FY 1999-00, a late reduction in Net Assessed Values resulted in a small change in the primary property tax levy compared with the amount estimated when the budget was adopted in June. In order to maintain its structural balance, the total General Fund operating budget was adjusted by reducing General Contingency by the amount of the reduction in the tax levy, $331,394. This was an unavoidable event. Until Fiscal year 2000-01, the statutory property tax calendar required Maricopa County to adopt the property tax levy in late August, even though the budget was adopted in June. The laws have since been changed, and this year the County property tax levy was adopted on June 27.

6. If your county ran a general fund surplus in the most recently completed fiscal year, how did it use these funds?

Our conservative approach to estimating revenues, and our achieved expenditures savings, has resulted in accumulated savings in the General Fund. These accumulated savings have been specifically appropriated in a deliberate manner for non-recurring uses, clearly designated in the budget as "Appropriated Fund Balance" (see "Consolidated Revenues and Expenditures by Category" in the FY 2000-01 Annual Business Strategies, page 21, Attachment FM-Document/Information Requested (A)-4). Appropriated Fund Balance has been used primarily for major capital investments, including funding of the pay-as-you-go capital improvement program and major technology investments. As an example, the entire $12.8 million General Fund cost for "Y2K" system modifications, and most of the 800mhz radio system conversion were financed through Appropriated Fund Balance. Capital improvements funded through Appropriated Fund Balance address critical facility needs and/or will relieve the County of future obligations for leased space.

For FY 1999-00, the total General Fund surplus was $98.0 million. Of this amount, $87.9 million was anticipated at the time of FY 1999-00 budget adoption. Of the $87.9 million surplus, $11.3 million was used to increase the designated balance necessary to eliminate the need for cash-flow borrowing, and the remaining $76.6 million was allocated to Appropriated Fund Balance, which totaled $120.2 million and included FY 2000-01 estimated net operating revenues of $43.6 million (see page 55 of the FY 2000-01 Annual Business Strategies, page 21, Attachment FM-Document/Information Requested (A)-4). FY 2000-01 Appropriated Fund Balance was allocated to $36.5 million in new and carry-forward one-time expenditures, and a transfer of $83.7 million to the Capital Improvement Program/"Rainy Day" reserve. The remaining $10.1 million of FY 1999-00 General Fund surplus was identified during the audit after adoption of the FY 2000-01 budget, and has been allocated to Appropriated Fund Balance for FY 2001-02.

7. Please provide the following information for each of your top three tax structures:

Tax name: State Shared Transaction Privilege Tax (Sales Tax)

FY	Rate	Total Receipts ($)
2001	State Shared	$327,549,752 (projected actual)
2000	State Shared	$309,009,200
1999	State Shared	$279,812,954
1998	State Shared	$257,643,630
1997	State Shared	$242,444,676

Tax name: Property Tax (combined primary, debt service, Flood Control and Library)

FY	Rate	Total Receipts ($)
2001	$1.5748/$100	$302,546,405 (adopted levy)
2000	$1.6248/$100	$296,029,480
1999	$1.6475/$100	$273,423,421
1998	$1.6475/$100	$256,680,131
1997	$1.6475/$100	$240,138,668

Tax name: State Shared Vehicle License Tax

FY	Rate	Total Receipts ($)
2001	State Shared	$97,557,090 (projected actual)
2000	State Shared	$94,431,066
1999	State Shared	$84,021,288
1998	State Shared	$68,309,110
1997	State Shared	$64,600,858

8. Please provide the following information comparing General Fund revenues, expenditures, and the unreserved, undedicated balance *on a GAAP basis*.

   Note: By “unreserved, undesignated balances” we are referring to discretionary reserves. Some governments use such funds for fiscal stabilization purposes, but they are not formal rainy day funds. This figure should not include rainy day funds or other reserved or formal contingency funds.

FY	General Fund GAAP Revenues	General Fund GAAP Expenditures	Unreserved, Undesignated Balance
2001	$698,048,163 (Budget)	$616,553,207 (Budget)	$67,700,000 unreserved; $0 undesignated (Budget)
2000	$672,544,570	$512,208,850	$154,436,197 unreserved; $98,036,197 undesignated
1999	$631,772,954	$662,030,970	$140,716,861 unreserved; $87,412,364 undesignated
1998	$573,449,314	$606,534,554	$107,517,591 unreserved; $62,037,303 undesignated
1997	$557,739,260	$560,730,857	$78,148,684 unreserved

9. Please answer the following questions about rainy day funds in your county. (*If your county does not use rainy day funds, skip to part ‘e’ of this question*.) Please attach copies of any legislation that governs rainy day funds.

   Note: By “rainy day fund” we mean a fund that is used for fiscal stabilization, to forestall reducing service levels or raising taxes in the event of temporary revenue shortfalls or unforeseen one-time expenditures. Such a fund is also often called a “stabilization fund” or “contingency fund.” For a more detailed definition, see page 4.

   a. Is a rainy day fund a legal requirement in your county?

      ☒ No ☐ Yes

If so, what is the minimum requirement for the fund level? $ __________

b. Is the allowable fund balance capped?

☒ No ☐ Yes

If so, at what level? $ __________

c. Whose authorization is required to use your county's rainy day funds? Please describe the authorization process, *or attach relevant policy documents*.

Funds set aside for fiscal stabilization may only be used as appropriated by the Board of Supervisors. Such approval would be given through the annual budget process, or the normal process for amendment after budget adoption.

Maricopa County's approach to maintaining "rainy day funds" is outlined in the Maricopa County Reserve and Tax Reduction Policy (Attachment FM-Document/ Requested (F)-6). The purpose of this policy is to provide for long-term financial stability and low, sustainable tax rates through responsible use of non-recurring resources, appropriate and minimal use of debt, and maintenance of reserve funds. The Policy provides that unreserved beginning fund balances may be used to acquire assets, retire debt, or provide for fiscal stabilization during economic downturns.

Maricopa County presently maintains a Capital Improvement Program Debt Service Fund that provides a reserve for fiscal stabilization. Over the past three fiscal years, the County has been accumulating General Fund budget savings and proceeds from higher-than-normal revenue growth, along with expenditure savings, to fund a $238 million "pay-as-you-go" capital improvement program, allowing the County to avoid increasing the tax burden through general obligation bond issues. CIP expenditures are being funded up front by issuance of Certificates of Participation (COP's), while the reserve will be drawn down gradually for the annual COP debt service. This method of financing allows the accumulated funding to be maintained as a "rainy day" fund in case of a sudden economic downturn or unavoidable expenditure increase. The FY 2001-02 budget anticipates a balance of $176.2 million (excluding amounts formally pledged for repayment of the debt), amounting to 21.7% of total General Fund budgeted expenditures.

d. After a rainy day fund is used, from what source is it replenished and how is this accomplished?

Maricopa County has not had to use its fiscal stabilization fund. If any portion or all of the fund were used for fiscal stabilization, the balance would be replenished by setting aside increased revenues through the budget process.

e. Please provide the actual balance maintained in your county's rainy day funds at the end of each of the following fiscal years.

FY2001	$ 124,270,191
FY2000	$ 45,298,088
FY1999	$ 4,072,379
FY1998	$ NA
FY1997	$ NA

f. Please describe any other reserves or mechanisms that your county has to assist you in the event of an economic decline or other contingency (for example, emergency reserve, natural disaster, or self-insurance funds). In particular, please tell us the fund name, purpose, source, balance, and rules that govern its use.

Maricopa County maintains several other reserves that can assist us in the event of a sudden economic downturn or other emergency. These reserves include the following:

General Fund Balance Designated for Cash Flow - The General Fund experiences fluctuations in its cash balance during the fiscal year, primarily due to the property tax collection cycle. Property taxes are due on November 1st and May 1st, resulting in significant cash inflows in October and April, while expenditures are relatively constant month by month. Consequently, General Fund cash position can reach a very low level at the two points during the year prior to these property tax infusions.

Maricopa County therefore maintains cash reserves (referred to as the "minimum fund balance designated for cash flow") at a specific level to carry through to the next property tax cash infusion without the use of short-term borrowing. The Reserve and Tax Reduction Policy requires that: "Reserves will be designated for elimination of cash flow borrowing in the General Fund and in other funds as necessary" (FM-Document/Information Requested (F)-6). During the budget process, the amount required in the upcoming fiscal year for the cash flow reserve is formally estimated by the Finance Department and provided to the Office of Management and Budget for use in developing the budget (see Attachment FM-Document/Information Requested (A)-3, pages 284-285). This reserve has allowed the County to meet its General Fund operational expenditures without short-term borrowing since FY 1995-96.

In times of fiscal need, the cash flow reserve would be available to stabilize revenue shortfalls or manage other unforeseen expenditures. If the reserve were to be used for such purposes, short-term borrowing might be necessary until cash reserves could be replenished during succeeding budget cycles. The General Fund minimum balance for cash flow is $67.7 million for FY 2000-01 (8.1% of General Fund expenditures), and will be increased to $76.0 million (9.3%) for FY 2001-02. The County hedges its position further by maintaining a $35 million line of credit, which can be used at any time to float cash shortages during low points in the revenue collection cycle if it becomes necessary to use our established minimum fund balance for economic stabilization.

Appropriated Contingencies - A number of funded appropriated contingencies are set aside within the overall County budget. In the General Fund, the General Contingency appropriation is set at $14.4 million for FY2001-02, increased from $12.0 million in FY 2000-01. In addition, a $2 million contingency is budgeted within the Detention Fund to cover the portion of that fund's activities that are supported by a "maintenance of effort" transfer from the General Fund. Combined, the General and Detention Fund Contingencies equal 2% of total budgeted General Fund expenditures (including Appropriated Fund Balance). General Contingency can be used with Board approval to cover unanticipated expenditure needs or revenue shortfalls. General Contingency is planned for in the annual budget process, and has been maintained at between 1.5% and 2.0% of General Fund expenditures over the last five years (see General Government Policy and Procedures B1005, Attachment FM-Document/Information Requested (F)-4).

Besides General Contingency, the FY 2001-02 Budget includes an additional $14.7 million in contingency funding that is reserved for specific issues. These include: $7 million reserved for salary adjustments based on completed compensation studies; $2.7 million for Court-related projects; and $5 million for various other supplemental funding requests, or "Results Initiatives". The Office of Management and Budget will analyze each of these issues, and may recommend appropriations transfers to the Board of Supervisors if warranted. It is not unusual to have a large portion of the reserved contingency funds that is not distributed by fiscal year-end.

The FY 2001-02 budget also includes funded contingency appropriations for capital improvement projects. CIP contingencies include $10.0 million for Detention Fund capital projects, $6.3 million for the General Fund CIP, $4.9 million for Transportation and $3.1 million for Flood Control. These contingencies are itemized in the Capital Improvement Program as "project reserves" (see Capital Improvement Projects by Department, Attachment FM-Document/Information Requeted (A)-3, pages 111-116).

Self Insurance Trust Fund - The purpose of the Risk Management Self-Insurance Trust Fund is to provide payment for and fund auto liability, general liability, workers' compensation, medical malpractice, auto physical damage, property and unemployment claims on an annualized basis and to reserve against future liabilities.

The trust is funded through an allocation plan that assesses each County department for the cost of risk through internal service fund charges (see Attachment FM-9.f.-1). The total amount charged is determined by an annual, independent actuarial study that projects the cost of paying the County's future claims (see Reserves and Projections as of June 30, 2000, Attachment FM 9.f.-2. The projected payments are used to set the Risk Management budget. Payments into the fund are established at a level sufficient to begin each fiscal year with a balance that can fund estimated actual claims expenses and insurance premiums for the following two fiscal years. At the close of FY 1999-00, the cash balance of the trust was $19,878,864 (see Self Insurance Audited Financial Statements, Attachment FM-9.f.-3).

Use of the Self-Insurance Trust Fund is governed by a Declaration of Trust (see Attachment FM-9.f.-4). The Trust administrator, pursuant to authorized payment levels, administers payments from the Trust. The Board of Supervisors has ultimate authority for all payments from the Trust. An independent audit of the Trust is conducted annually. The County also maintains supplemental insurance coverage for losses that exceed $1 million.

10. Please answer the following questions about projections *for the new budget*.

 a. Who in your county government is responsible for making these projections?

 The Office of Management and Budget (OMB) is responsible for preparing revenue projections. Projections for major General Fund revenues are developed by a local economic forecasting firm, Elliott D. Pollack & Co., under contract with Maricopa County (see Attachment FM-10.1.-1). Property tax assessed values for the upcoming fiscal year are estimated by the Maricopa County Assessor's Office, and OMB estimates the tax levy under various tax rate scenarios for consideration by the Board of Supervisors. Interest revenue is projected by the Department of Finance based on anticipated fund balances and distribution of calendarized expenditures. Departments initially develop projections for program revenues; OMB reviews and, as necessary, adjusts departments' projections.

 b. What method is used to calculate these projections?

 A variety of methods are used to project County revenues for the upcoming fiscal year. The level of sophistication in the projection methods varies with the magnitude and complexity of the revenue source. State-shared sales taxes, state-shared vehicle license taxes, and property taxes make up almost 90% of total General Fund revenue, and forecasts of these revenue sources are developed by our outside economic forecasting firm using sophisticated econometric models (see State Shared Sales and Vehicle License Tax Forecasts on pages 48 & 49 in the FY 2001-02 Adopted Budget, Attachment FM-Document/Information Requested (A)-3). Econometrically-driven forecasts of relevant indicators, such as population, inflation, and others, are often used to estimate revenues from fees and permits.

 Pursuant to Board of Supervisors' policy, OMB estimates revenues conservatively so that the probability of revenues exceeding budget is much greater than the probability of revenues coming in under budget (see Budgeting for Results Policy Guidelines, Attachment FM-Document/Information Requested (F)-5). Projected major revenues are provided by our consulting economist under both "most likely" and "pessimistic" scenarios; for budgeting purposes, OMB usually adopts the mid-point between the two projections, resulting in moderately conservative revenue estimates. On a few occasions when there appeared to be higher risk of a revenue shortfall, OMB has adopted the "pessimistic" forecast amount.

 c. Does this method involve a consensus process with the county's legislative body?

 ☒ No ☐ Yes

 d. Does the revenue estimate serve as a cap to spending?

☐ No ☒ Yes

e. How are these projections shared with the public? (*Check all that apply.*)

☐ Only used internally

☒ Released to the news media

☒ Posted on the county's website

☒ Readily available in published documents on request

☐ Automatically distributed to citizen groups

☒ Other (*Please explain.*)

In May, revenue projections are presented with the Recommended Budget to the Board of Supervisors at a televised public meeting. Between tentative and final adoption of the budget, public meetings are held in each of the five Supervisory districts, and revenue projections are prominently included in the presentation. The Office of Management and Budget and the County Administrative Officer also make a detailed budget presentation during this period to the Arizona Tax Research Association, a private watch-dog group (see presentation of the Recommended Tentative Budget to the Board of Supervisors, Attachment FM-10.e.-1).

f. How frequently are these revenue and expenditure projections typically updated during the fiscal year?

Major revenue forecasts are updated quarterly.

g. Are the updated projections formally adopted?

☒ No ☐ Yes

11. Please answer the following questions about projections *for future years*.

a. What kind of future revenue and expenditure projections are made in your county and what span do they cover?

The Office of Management and Budget prepares a 10-year financial forecast for the General Fund and several other major funds, including all funds that receive property taxes. Forecasts of the property tax base and other major revenues, along with key economic and demographic variables, are developed by an outside consultant economist using advanced econometric methods. These forecasts are provided in both "most likely" and "pessimistic" scenarios (see Annual Business

Strategies, pages 606-625, Attachment FM-Document/Information Requested (A)-4). Our consultant economist, Elliott D. Pollack, makes an annual forecast presentation at a public Board meeting around the time of property tax levy adoption.

OMB combines the economist's forecast data with base-line revenue and expenditure data from the current budget, and applies various assumptions relative to expenditures and tax rates. For example, the impact of current capital improvement projects on future operating expenditures is included in forecasted expenditures. OMB prepares different forecast scenarios to reflect the impact of Board of Supervisors' future policy choices and other potential circumstances, including changes in state mandates.

The ten-year forecast has been used as a means of estimating the probable long-term impact of current policy decisions, such as tax rate reductions and proposed major capital projects. A recent example was the policy decision to forgo using jail excise tax revenues to fund new jail and juvenile detention operating costs. When the tax was authorized by the Arizona Legislature for a fixed amount rather than as an ongoing revenue source, the forecast was extended to beyond the term of the jail excise tax sunset date in order to determine if forecasted revenues from existing General Fund sources could support the anticipated cost of operating new jail and juvenile detention facilities (see Attachment FM-11.a.-1).

b. Are these internal projections or are they shared with the public and other governmental bodies?

☐ For internal use ☒ Shared publicly

12. Please answer the following questions about accounting.

a. What basis of accounting is used for your county's budget for the general fund?

☐ Full accrual
☒ Modified accrual
☐ Cash
☐ Other (*Please explain.*)

b. When does your county recognize revenues in the budget for the general fund?

Revenues are recognized when they become measurable and available. The General Fund is a governmental fund type and the County utilizes the "flow of current financial resources" as a measurement focus. This requires that financial activity within the fund be recorded on a modified accrual basis of accounting. "Measurable" means the amount of the transaction can be determined and "available" means that the revenue will be collected within the current period or soon enough after to be used to pay liabilities of the current period. General Fund revenues susceptible to accrual are property taxes, state-shared sales and vehicle license taxes, and interest income. Revenue from licenses and permits, charges, fees and fines or other miscellaneous program revenues are normally recorded when received since they are generally not measurable until that time.

c. When does your county recognize expenditures in the budget for the general fund?

Expenditures are recognized when the related fund liability is incurred. Essentially, this means that an expenditure will be recognized in the fund when an event or transaction is expected to draw upon current available resources.

13. Please answer the following questions about cost analysis in your county.

a. Please describe the extent to which your county uses activity-based cost accounting.

Activity-based cost accounting is used at various organizational levels within the County, and current efforts will be greatly expanded as our Managing for Results Initiative matures. Current efforts focus on allocating overhead or indirect costs both across and within funds, and developing fees and charges that reflect full cost recovery. Cost analyses are carried down to specific programs, activities and services within departments in order to establish fees charged to the public and other public entities, as well as certain internal service charges between County departments. The following are specifics about current and future activity-based cost accounting processes employed at Maricopa County:

Central Service Cost Allocation - A detailed activity-based cost accounting analysis is conducted annually to assign central service department costs to specific non-General Fund departments on a full cost basis in order to establish the amounts these departments and funds will be assessed by the General Fund. A similar analysis is conducted following Federal guidelines (OMB Circular A-87) to estimate indirect cost recovery for applicable Federal and State grant programs (see Central Service Cost Allocation Plan, Attachment FM -13.a.-1).

Internal Service Charges - Departments such as Equipment Services, Risk Management and Telecommunications operate as internal service funds, and all use various activity-based cost accounting models to develop services charges for the user departments.

External Fees and Charges - Operating departments (non-central service and non-internal service) also use activity-based cost accounting methodologies to develop fee schedules. In many cases, departments have employed outside consultants to develop initial cost models, and update them annually or less frequently as necessary. These cost analyses allow the County to recover its costs on a fair and equitable basis, while tracking changes in costs over time.

Two notable examples of departments that conduct annual detailed activity-based cost accounting analyses are the Sheriff's Office and the Animal Care and Control Services department. The Sheriff's Office annually updates its cost-allocation models in order to calculate per diem rates for jail inmate housing and booking, as well as local law enforcement services. These per diem rates are used to charge municipalities for booking and housing their inmates in the County's detention facilities; the higher booking fee has encouraged cities and towns to employ alternatives to booking arrestees into jail, and has thereby helped alleviate jail over-crowding problems (see Harvey M. Rose Accountancy Corp. Report on Jail Per Diem methodology, Attachment FM-13.a.-2, and Maricopa Association of Governments' Review, Attachment FM-13.a.-3). The Sheriff's Office employs similar cost models to calculate charges to cities and towns who contract for local law enforcement . Animal Care and Control assigns their cost of operations each year utilizing various activity levels (number of licenses, adoptions, vaccinations, spay/neuter procedures, euthanasias, field service calls, etc.) to establish rates for charging other municipalities and the public for their services (see DMG Report, Attachment FM-13.a.-4).

Future County-Wide Activity-Based Cost Accounting - To support the comprehensive Managing for Results (MfR) initiative, Maricopa County is currently finalizing a major management and financial accounting initiative to develop an activity-based cost accounting model that will capture all County services. We have established cost centers within our budget and financial systems to collect expenditure activity at the program, activity and service levels, as defined in departments' strategic plans. These Program/Activity/Service (P/A/S) costing centers will be implemented county-wide for collection of direct cost information beginning July 1, 2001. Over the next two to three years, a comprehensive activity-based costing system will be developed to allocate full indirect costs by P/A/S. Once the MfR program is fully implemented, this new information will either supplement or completely replace the current activity-based cost accounting models. The new process will be more comprehensive, more timely, and will allow reporting of efficiency measures for all activites and programs on a "full cost" basis.

b. Please describe the extent to which your county calculates unit costs.

All current and planned activity-based costing analysis involve detailed unit cost analysis. Following are specific unit cost calculations that are developed throughout the activity-based cost accounting processes described in section (a).

Central Service Cost Allocation:

- Cost per Full Time Equivalent, recruitment or payroll check is used for allocation of payroll administration, management oversight and policy development costs.

- Cost per Personal Computer, data port or phone port is used for allocation of technology and telecommunication costs.

- Cost per payment, financial transaction, or fixed asset is used to allocate general accounting and financial costs.

- Cost per procurement is used to allocate materials management costs.

- Cost per square foot is used to allocate facilities management costs.

Internal Service Funds:

- Equipment Services: Internal service charge rates are based on unit costs of new vehicle purchases, motor-pool use, labor, parts and supplies, and fuel.

- Telecommunications: Use of telephone, data, and wireless networks are charged on a unit-cost-per-month basis. Voice and data networks unit costs are calculated by “port”, while for the wireless network unit costs are calculated per radio. The total annual cost to operate each network (both direct and allocated indirect) is divided by the number of units in operation on that system to determine the cost for charge back. An inventory system is maintained for radio equipment that provides radio counts by department, and the telephone accounting system provides monthly counts of telephone ports.

Sheriff:

- Detention Services: Unit costs for inmate booking and detention in County jails is calculated on a per diem basis.

- Local Law Enforcement Services: Unit costs for patrol services provided by the Maricopa County Sheriff's Office are calculated on the basis of cost per patrol beat (see example of per beat cost analysis, Attachment FM-13.b.-1).

Animal Care and Control:

- Unit costs are estimated for animal adoptions, kennel permits, euthanasia, spay/neuter, and dead animal pick up.
- Unit costs for animal control field services are based on full cost per Animal Control Officer FTE, as the basis for allocation of costs to cities and towns.

c. Please describe the extent to which your county allocates indirect costs.

Central Service Cost Allocation: County central service departments essentially represent the governing and administrative bodies of the County. These include the Board of Supervisors, County Administrative Officer, Office of Management and Budget, Department of Finance, Human Resources, Internal Audit and other service departments charged with overall policy and fiscal management of the County's resources. Aside from its primary role in allocating indirect costs across funds, the Central Service Cost Allocation process provides valuable information on the relationship between direct and indirect (or "overhead") costs throughout the County. Additionally, the County can augment or down-size central service departments if major functions are added to the County structure, or are transferred to another entity; adjustments can also be made when central service functions are delegated to the department level. As discussed in section (a), the Central Service Cost Allocation is updated annually on a county-wide level by the Department of Finance, and charges to user departments are established through the budget process.

Individual departments allocate their internal, departmental indirect costs to various projects and programs using a variety of methodologies, as necessary, to meet their specific needs. Some of these allocations are made to distribute internal indirect costs to capital projects, locations and major programs. The methodologies used by the internal departments are similar to the methodologies used to develop county-wide cost allocations in the Central Service plan.

Specific indirect cost plans are also annually developed for all departments that manage grant funds. These plans are completed and approved by grantors to help facilitate recovery of County indirect costs associated with managing the grant programs (see example from Juvenile Probation, Attachment FM-13.c.-1).

d. For what purposes does your county use cost analysis? (*Please check all that apply.*)

☐ Our county does not use cost analysis.

☒ Cost analysis is used in setting user fees.

☒ Cost analysis is used in making decisions about contracting out.

☒ Cost analysis is used in management research (such as business process reengineering, flexible budgeting, etc.).

☒ Cost analysis is used in budget preparation.

☒ Cost analysis is used in performance measurement.

14. Please answer the following questions about appropriations.

a. At what level are funds appropriated?

☒ Department

☐ Division

☐ Program

☐ Object classification (i.e. at the level of broad classes of spending)

☐ Line item (i.e. at the level of very specific spending items)

b. If the county's chief administrative officer wants to move funds among departments, is external approval required?

☐ No ☒ Yes (*By whom?*Board of Supervisors (see A.R.S. Section 42-17, Attachment FM-Document/Information Requested (F)-2).)

At what dollar threshold is this approval required? $ 1 (as required by statute)

c. If department heads want to move funds among divisions, is external approval required?

☒ No ☐ Yes (*By whom?*____)

At what dollar threshold is this approval required? $ ____________

d. If department heads want to move funds among programs, is external approval required?

☒ No ☐ Yes (*By whom?*____)

At what dollar threshold is this approval required? $ ____________

e. If department heads want to move funds among object classifications (such as personnel or travel), is external approval required?

☒ No ☐ Yes (*By whom?*____)

At what dollar threshold is this approval required? $ ____________

f. If department heads want to move funds among line items (such as, for example, wages for full-time personnel), is external approval required?

☒ No ☐ Yes (*By whom?*____)

At what dollar threshold is this approval required? $ ____________

g. Does your county allow departments to retain any savings they realize?

☐ No ☒ Yes If so, what percentage? <u>100 (within a fiscal year)</u>%

If so, under what circumstances is this allowed?

Under the Budgeting for Results Accountability Policy, departments are given discretion and flexibility to use budget savings within the same fiscal year, but in return are expected to absorb most unforeseen or unplanned expenditures that may become necessary (see Attachment FM-Document/Information Requested (F)-3). In addition, non-recurring budget savings must be used only for non-recurring uses, and not create new ongoing liabilities. Arizona statutes do not allow budget savings to be carried forward automatically into subsequent fiscal years.

At Maricopa County, we believe that managers and employees are best encouraged to produce savings for the taxpayers when they are incentivized individually for good financial performance. The financial philosophy of the County Board of Supervisors, as reinforced by state statutes, requires year-end budget savings to be properly reallocated through the budget process. This approach has helped to generate significant budget savings, and has allowed us to avoid borrowing for major one-time expenditures (Appropriated Fund Balance) and to build solid financial reserves and fund balances (CIP Debt Service Reserve and Fund Balance Designated for Cash Flow).

For over six years Maricopa County has tied our managers' salaries to performance, in particular financial and budgetary results. From 1995 through 1997, Maricopa County administered a management incentive plan that awarded one-time payments of up to 5% of a department director's annual salary, based on results achieved. Performance results were measured in two components: 1) achieving 5% or more savings against the department's expenditure budget; 2) achieving the director's performance goals relative to strategic and business plan objectives. This process had a powerful impact on budget results, and ensured that business objective and outcomes were also met.

After 1997, Maricopa County department directors joined a single Countywide Performance Incentive Awards (PIA) plan (Attachment FM-14.g.-1) "Share the Savings 2001 - Performance Incentives Program") that is funded by annual budget savings at the department level. Each year, employees and managers who have a satisfactory performance rating or higher are eligible to receive a one-time financial award in June (the last month of the fiscal year). Awards for chief officers, department directors and employees are tied to performance, but funding is directly related to the department's financial results.

A department's managers and employees are eligible for the Performance Incentive Program if the department has achieved savings against its personal services budget, has achieved savings in its overall budget, and projects to return at least one-half of its budget savings to the taxpayers via an increase to the year-end fund balance. If the savings do not occur as forecasted, the department is ineligible to participate in the following fiscal year, thereby ensuring accountability through the incentive plan. Budget savings realized are reallocated for other purposes, including Appropriated Fund Balance.

15. Please describe the major controls or procedures your county uses to guard against unauthorized or fraudulent spending in excess of authorized amounts.

    Maricopa County maintains a comprehensive set of systems, procedures, and policy controls that guard against unauthorized or fraudulent spending. These controls range from system access and spending controls to independent review of approval of transactions, regular external and internal audits, budget monitoring, and policies that provide for corrective action when departments spend outside their legal appropriations. Below are some of the major control measures the county has in place to ensure spending is appropriate and authorized:

    Budgeting for Results Accountability Policy: At the highest level of control, the Budgeting for Results Accountability Policy sets clear expectations for keeping expenditures within Board appropriations, and prescribes a graduated system of corrective action when problems arise (see Attachment FM-Document/Information Requested (F)-3).

The Department of Finance leads the process of monitoring budget-to-actual performance during the fiscal year. The budget is developed at a detailed level and calendarized, allowing departments, Finance and the Office of Management and Budget to analyze actual expenditures and revenues against true year-to-date budgets. The Department of Finance prepares, reviews and distributes monthly budget-to-actual variance reports. Budget-to-actual reports vary in format and distribution level. For instance, all departments receive daily and monthly reporting of their activity. This is reported at all levels of the department's budget/accounting cost centers. Departments use these reports, as well as detail transaction activity, to track and monitor their budget performance at their various organization and program levels. Budget performance reports, at a department/fund level, are distributed to county management and the Board of Supervisors, and are reviewed in depth for any departmental spending problems (see Monthly Financial Report, Attachment FM 15-1).

If a department exceeds its year-to-date budget during the fiscal year, a corrective action process is initiated as outlined in the Budgeting for Results Accountability Policy (Attachment FM-Document/Information Requested (F)-3). The Department of Finance conducts further analysis, and the problem department is required to provide an explanation and corrective plan. The Department of Finance and the Office of Management and Budget (OMB) review and approve department corrective action plans. Departments that are shown to be exceeding their budgets during the year work closely with Finance and OMB to ensure that corrective action plans are carried out effectively.

In the event that a department exceeds its appropriation at fiscal year-end, the Budgeting for Results Accountability Policy requires further corrective actions to insure that the problem does not recur in the subsequent year. Departments may lose the privilege of making independent spending decisions within an overall department/fund appropriation. The Office of Management and Budget administers a line-item review process, in which certain types of spending are made subject to pre-approval or intensive monitoring by OMB.

Audit: Spending by County departments is subject to both external and internal audits. The State Auditor General conducts annual reviews of County purchases (Price Agreements, Purchase Orders, etc.), while County Internal Audit conducts Materials Management and Department Reviews on a scheduled basis.

Position Control: The Office of Management and Budget reviews and approves all requests to add or delete positions, and verifies that all mid-year salary adjustments are funded on an annualized basis (see the Funded Position Policy, Attachment FM-Document/Information Requested (F)-7). The budget system allows departments and OMB to validate that non-recurring budget savings is not used to create recurring liabilities.

Agenda Review: The Office of Management and Budget (OMB) review all Board agenda items that have a financial impact. New and amended contracts, intergovernmental agreements, or any other items that would commit the County to spending are reviewed to insure that the proposed action does not create an un-funded liability in future years, and otherwise complies with County policies.

Procurement Control: The Materials Management department reviews and signs Purchase Orders (PO) documents submitted for processing to ensure conformance with the County's Procurement Code. Materials Management also monitors price agreements, subsequent PO's and other transactions to ensure that expenditures are being made in accordance with the pricing and terms and conditions of the contract. Financial codes entered into the general ledger system, Advantage,do not allow a PO to be issued unless appropriate funding is available. Transactions against purchase orders will not be paid by the system if the payment exceeds the assigned tolerance level for the PO. If more funds are needed to pay against a PO that was not originally authorized, the PO can be modified. This modification follows the same approval steps as an original PO.

Financial System Budget Controls: In the main financial system, Advantage, system expense budget tables provide controls to limit expenditures against accounting lines. Grant transactions have dollar ceilings and will not pay if the authorized spending for the grant is reached.

Accounts Payable Review: The Finance Department's Accounts Payable division audits original invoices prior to payment and ensures that the goods or servcies have been received and that all appropriate authorized approvals have been completed prior to approving payment.

Financial System Access and Security Authorizations: Access to our financial systems is based on user identification and password. This access is approved at the department level, by the Department of Finance, and the system administrator. User access is predetermined depending on the users' job function and authority within their department. For instance, an individual responsible for preparing a payment request will have a system profile that allows the user that functionality, but will not have a profile that allows approval of the payment for processing. The following three approval levels are required to complete the payment cycle:

- Level 1 allows authorized department staff to prepare or initiate payments.

- Level 2 allows authorized department managers or supervisors to approve payments. This approval is restricted to department personnel who have the authority to validate that the payment meets applicable legal agreements, complies with County policies, and is appropriate for the function of the department.

- Level 3, or final approval, is performed by authorized personnel of the County Department of Finance. Level 3 approval is completed only after the first two approvals are confirmed, and requires a financial review of the payment. Payments are reviewed for reasonableness as to the accounting string used (cost center charged), the department's activity and County applicable policy.

16. Please answer the following questions about audits in your county.

a. Who conducts audits for your county? (*Please check all that apply.*)

☐ An internal administrative office (*Please identify:* ______________________)
☐ An elected auditor
☒ An auditor appointed by the county's legislative body
☒ An auditor appointed by the state
☒ An independent private firm (*Please identify:*
Internal Audit: Andersen Consulting and KPMG
Stadium District: Heinfeld & Meech
Maricopa Integrated Health System: Arthur Andersen, Deloitte & Touche LLP, and Zolondek, Strassels, Greene & Freed, PC ____________________)

☐ Other (*Please identify:* The County's financial audit and Federal Single Audit are performed by the Arizona Office of the Auditor General, as required by state statute. After a maximum of three years, the Auditor General assigns a different audit manager to perform the audit. An independent audit firm performs the Stadium District audit. The audit contract is re-bid at least every five years. Audit services for healthcare, such as assistance in preparing financial statements, are provided by any of three independent audit firms on contract. The County's Internal Audit Department does performance audits based on an annual plan that is approved by the Board of Supervisors. Audit staff are assigned on a revolving basis (see Annual Audit Plan, Attachment FM-16.a-1). ________________
________________________)

b. If your county uses independent firms, is their selection a competitive process?

☐ No ☒ Yes

c. What criteria does your county use in the selection of independent firms?

Department of Finance: The selection process for the each proposal is evaluated by a Proposal Analysis Committee. The Committee is appointed and chaired by the Materials Management Department. The committee will evaluate each Proposal and prepare a score to the responses as solicited in the original request. The selection criteria are as follows:

- Proven skills and technical competence.

- Approach and philosophy.

- Credentials of audit and management staff.

- Experience in governmental audits.

- Quality and completeness of Proposal.

- Cost of goods, services and/or materials and allocation of man hours.

The criteria used by the County Auditor include the following: audit experience, local gov't experience, project-specific experience, hourly rates, and average costs. Although the criteria used may vary among departments, the competitive procurement process remains consistent.

d. Please indicate the extent to which you agree with the following descriptions of the overall scope and characteristics of audits in your county:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Not applicable
i. Audits in your county cover financial compliance and control mechanisms.	☒	☐	☐	☐	☐	☐

ii.	Audits in your county cover financial performance measures.	☒	☐	☐	☐	☐	☐
iii.	Audits in your county cover program performance.	☐	☒	☐	☐	☐	☐
iv.	Independent auditors are changed frequently.	☐	☒	☐	☐	☐	☐
v.	Audits in your county are done at the county level only.	☐	☐	☐	☒	☐	☐
vi.	Audits in your county are done at both county and department levels.	☐	☒	☐	☐	☐	☐
vii.	Audits provide useful information to responsible authorities.	☒	☐	☐	☐	☐	☐
viii.	Audits move beyond compliance and to review programs in a way that allows authorities to improve their effectiveness.	☐	☒	☐	☐	☐	☐

17. Please answer the following questions about how your county assesses the financial impacts of budget decisions.

   a. Does your county budget office or some other body in your county formally assess the out-year effects of the county budget by doing any of the following:

Estimating pension liabilities?	☐ No	☒ Yes
Estimating accrued vacation and sick leave liabilities?	☐ No	☒ Yes
Estimating major employee wage increases?	☐ No	☒ Yes

   (*If so, please attach an example of such an assessment.*)

   b. If your county estimates these liabilities, who performs these analyses?

   Maricopa County employees are covered by several retirement systems administered by the State of Arizona, including the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Elected Official Retirement System, and the Corrections Officer Retirement Program. The County and the employee are assessed a percentage of gross salary that varies by plan. The Office of Management and Budget includes estimated retirement plan contributions in the budget and the 10-year financial forecast based on information provided by the State.

   Wage increases are reflected in the ten-year forecast as well, usually based on inflation forecasts provided by our consulting economist; staffing growth estimates are based on historical trends.

   The Department of Finance estimates 60-day accruals of compensated absences for all funds, in accordance with Government Accounting Standards Board (GASB) guidelines. The accrual includes personal leave and compensatory time, and is reflected in year-end financial statements. Maricopa County's leave policies limit increases in liabilities related to leave. Accrual of personal leave is limited to 240 hours, while County policy is to pay employees overtime instead of allowing them to accrue compensatory time.

   c. What measures or indicators of these effects are used in these analyses?

   Forecasted overall wage increases are tied to forecasted inflation; the assumptions are adjusted when we foresee challenges in a specific area, such as when the County will need to hire a large number of Detention Officers within a short period of time to staff new jail facilities. Increases in staffing levels are estimated based on population growth, and are also factored into wage forecasts. Future retirement contribution costs are factored into financial forecasts, calculated as a percentage of gross salaries.

d. How far into the future do these analyses extend, on average?

Pension liabilities	10 years
Accrued vacation and sick leave liabilities	Not applicable.
Major employee wage increases	10 years

18. Please answer the following questions about how your county assesses the financial impacts of legislation.

a. Does your county formally assess the future financial impacts of *county* legislation?

☐ No ☒ Yes, with fiscal notes ☒ Yes, with other types of analysis

(*If yes, please attach an example of such an assessment. If no, skip to 'f'*.)

b. If so, who performs this analysis?

Departments are required to use a standardized system to submit agenda items to the Board for approval. This system is part of the County's intranet, the Electronic Business Center (EBC), and is known as Agenda Central (see Agenda Item screen print and Agenda Financial Impact Statement screen print, Attachments FM-18.b.-1). The main agenda item screen includes a field in which the department is required to report budgetary impacts by fiscal year. Further detail is required on the Agenda Financial Impact Statement screen, which indicates the specific budget line-items affected.

Agenda items with financial and budgetary impacts are reviewed and approved by the Office of Management and Budget (OMB). OMB validates that the agenda financial information is accurate, relative to the budget. The OMB review emphasizes the multi-year impact of proposed actions, specifically that the action will not create a future un-funded liability. OMB staff may complete more detailed analyses and recommendations as necessary. If an issue is of sufficient magnitude, OMB may estimate its impact through the 10-year financial forecasting models.

The County recently implemented an enhanced agenda process which aligns with the County's Managing for Results (MfR) initiative. This process mandates that departments include performance-related information from their strategic plans within their agenda items. The Board then has this performance information on which to base their decisions, as well as the projected results to be achieved (see Attachments FM-18-.b.-1 and FM-18.b.-2).

c. At what stage of proposed legislation is this completed?

Agenda items are reviewed by OMB and submitted to the Board with either a recommendation to approve or not approve the item. This is done prior to the Board's consideration and action, so that the Board has information on which to base its decisions.

After the agendas are reviewed by OMB, they are routed to the Clerk of the Board of Supervisors where they are compiled into a draft agenda. This draft agenda is then reviewed by the Clerk, County Administrative staff, and an OMB manager. Since the Chairman of the Board is responsible for setting the agenda for each of their meetings, the Chairman meets with the Clerk and a manager from OMB to review each agenda item. The Office of Management and Budget plays a major role in this process, explaining the intent of each agenda item and justifying their recommendation.

d. What measures or indicators of these effects are used in these analyses?

Financial impacts are reported by fiscal year for the current and succeeding fiscal years.

With the new enhanced agenda process, performance measures and their projected outcomes will also be included for the Board to base their decisions on.

e. How far into the future do these analyses extend, on average?

Routine agenda items include fiscal impact for the current and following fiscal years, depending on the term of the item under consideration; for example, a contract with a term of only one year. An agenda item to approve a new building lease would report the escalated costs of the lease for each fiscal year of the lease term.

f. Does your county formally assess the future financial impacts of *federal and state* legislation relevant to your county?

☐ No ☒ Yes

(*If yes, please attach an example of such an assessment. If no, skip to question 19.*)

g. If so, who performs this analysis?

Maricopa County Government Relations, part of the Office of the County Administrator, is responsible for coordinating the tracking and monitoring of pending state and federal legislation, as well as recommending and conducting lobbying strategies with the Board of Supervisors, County departments and State or federal officials. Government Relations screens all bills filed in the State Legislature, and notifies applicable departments via e-mail. For example, legislation that may impact the County's ability to issue debt, change tax rates or charge fees and fines would be directed to both the Office of Management and Budget (OMB) and the Department of Finance for review and analysis. Proposed legislation that affects operational mandates is referred to the affected departments for review and analysis, as well as to OMB. Departments then analyze each bill, and report their conclusions back to Government Relations via an on-line intranet tracking system (see Attachment FM-18.g.-1). The on-line tracking system includes a brief summary of the estimated impact of the bill, and allows departments to choose various options for Government Relations, such as "support", "oppose", or "monitor".

OMB and the Department of Finance receive a great volume of bills to review, and it is neither possible nor cost effective to conduct a detailed analysis on every single bill, since most will never receive serious consideration in any event. OMB manages this workload by conducting a high-level assessment of whether or not bills have significant positive or negative fiscal impacts to the County, and whether bills should be monitored more closely if they move through the Legislature. If a bill begins to be seriously considered, Government Relations notifies OMB and a complete analysis is performed (see Jury Fee increase example, Attachment FM-18.g.-2).

OMB and the Department of Finance make use of external experts in many cases. For example, any bills relating to property taxes or state shared revenues are referred to our consultant economist, Elliott D. Pollack & Company. The County also works closely and shares information with other local governments and State agencies such as the Joint Legislative Budget Committee and the Arizona Department of Revenue.

h. When is this completed?

Government Relations refers bills to departments for analysis as soon as they begin to be filed at the start of the State legislative session, or are pre-filed before the session. Analysis continues to be performed throughout until the last day of the legislative session . Initial reviews are completed and provided to Government Relations via the on-line bill tracking system within one to two working days.

For federal legislation, the analysis is performed whenever we become aware, through news reports, legislative alerts from intergovernmental organizations (National Association of Counties, Government Finance Officers Association), congressional staff members, or through our federal lobbyists that there is a federal issue we should analyze. This takes place any time that Congress is in session.

i. What measures or indicators of these effects are used in these analyses?

Primarily, we review proposed legislation for the following:

- Negative or positive impact on Maricopa County's revenue stream in terms of state-shared transaction privilege tax revenues, vehicle license tax revenues, property tax revenues, personal property tax, Highway User Revenue Fund (HURF) revenues or any other County revenue (charges for services, fines and fees, licenses and permits).

- Addition to our existing burden of un-funded or under-funded state or federal mandates.

- The impact on economic growth of the State or Maricopa County

- The impact on current expenditures for a particular program or service provided by the County, such as retirement system contributions.

j. How far into the future do these analyses extend, on average?

The number of years into the future covered by legislative analysis varies depending on the issue. Major, far-reaching legislation, such as those that affect County mandated health care responsibilities and contributions to State Medicaid programs, have a ten to fifteen year fiscal impact review. A recent example is enactment of Proposition 204, that extended Medicaid coverage and eliminated County residual indigent health care responsibilities in exchange for increased County contributions to fund the Arizona Health Care Cost Containment System (AHCCCS), Arizona's Medicaid program (see Proposition 204 impact analyses, Attachment FM-18.j.-1).

19. Please answer the following questions about pension liabilities.

a. What governmental entity is responsible for your county's pension system? (*Please attach any policies governing pension fund investments.*)

Most County employees are covered by the Arizona State Retirement System; other specific groups are covered by the Public Safety Personnel Retirement System, the Correctional Officers Retirement Program, and the Elected Officials Retirement Program. All of these systems are administered by the State of Arizona. At June 30th, 1999, the pension fund was overfunded by 16% and had an actuarial surplus of over $2.5 million (see Arizona State Retirement System Financial Report, Attachment FM-19.e.-1).

b. Does your county have an unfunded pension liability?

☒ No ☐ Yes

(*If no, skip to question 20.*)

c. If you have an unfunded pension liability, what is it in absolute terms? $ NA

d. What is it as a percentage of total liability? NA%

e. To what do you attribute your county's unfunded pension liability (for example, use of conservative assumptions, structural under funding, etc.)?

Not applicable - Maricopa County employees are covered by state retirement systems, as mentioned earlier. The largest of these, the Arizona State Retirement System (ASRS), is in fact quite well funded (see ASRS financial reports, Attachment FM-19.e.-1).

20. Does your county face any major challenges or problems in the areas of budgeting, accounting, and financial reporting?

    Maricopa County faces several major challenges in budgeting, accounting and financial reporting, and we are making coordinated efforts to address each of them.

    Chart of Accounts - Over the last few years, demands for better accountability and particularly the Managing for Results initiative have highlighted the need to improve the structure and administration of our Chart of Accounts. We have made strides to ensure that there is more consistency across the County in how the elements of the Chart of Accounts or "accounting string" are used. In the fall of 2000, a Financial Reporting Review Committee (FRRC) was formed, consisting of management representatives of the Department of Finance, Office of Management and Budget, and the Administrative Technology Center (which maintains the finance, budget, and human resource systems). The FRRC's purpose is to develop and approve changes to the Chart of Accounts, insure that all departments use the structures in a consistent manner, and appropriately implement the Chart of Accounts across all affected information systems.

    We are in the midst of a significant restructuring of our Chart of Accounts, largely driven by Managing for Results, which will provide better budget and accounting information to all levels of management. For example, we have reduced our list of object codes to a more manageable and usable number. We are now implementing a new element of the Chart of Accounts, Program/Activity/Service, (P/A/S), which will allow reporting by results-driven programmatic structures outlined in departments' strategic plans under Managing for Results. For the FY 2002-03 budget, we will implement changes to greatly improve reporting by organizational units, grants, and capital projects.

    Another area of challenge has been to enhance our budgetary and financial reporting for department management and for use in County-wide financial reporting and analysis. The County's general ledger system contains a great deal of information that we have not been able to use to its full potential because of limitations in our existing reporting mechanisms. The Department of Finance has already begun to address these deficiencies through the use of data extracts and intranet reporting tools. However, a new financial reporting tool is needed to fully enhance our reporting and provide real-time user access to standard and custom reports from all the information stored in our general ledger system.

    During FY 2000-01, we completed two significant steps towards reaching these goals. First, we successfully completed the conversion of the Advantage system (general ledger system) to a DB2 database structure. This conversion moves our financial system to a relational database structure, which significantly enhances our ability to report and analyze data from the system. DB2 also makes it easier to share data between financial systems. Second, we successfully secured a new financial reporting tool called InfoAdvantage that will allow us to reach all the information stored in the general ledger and customize that data to meet the unique and different reporting needs of user departments. These new reporting tools, combined with more meaningful financial and budgetary reporting structures, will greatly enhance management information and accountability.

Implementing Governmental Accounting Standards Board (GASB) Statement No. 34 will be a specific reporting challenge for the County in FY 2001-02. The County has been actively preparing for the upcoming implementation of GASB 34, which includes understanding the reporting requirements, working with the major infrastructure departments (Flood Control District and Transportation), and modifying the current financial information for GASB 34 reporting purposes.

The most significant challenge in budgeting will be to continue to progress in implementing Budgeting for Results, a key part of the Managing for Results Initiative. As mentioned earlier, reporting structures are being implemented to support tracking and budgeting by program/activity/service in alignment with department strategic plans. Beginning with development of the FY 2002-03 budget, departments will allocate their budgets to this new structure, which will require significant procedural changes and modifications to our budget system. For FY 2003-04 and beyond, we will move toward full performance-based budgeting, in which expenditures and revenues are established based on estimated demands for service. As a consequence, the budget system will need to evolve in rolling implementation stages to support each succeeding development in the process.

21. Please describe any ways in which the information technology currently in place for budgeting, accounting, and financial reporting either impedes or dramatically enhances your county's ability to accomplish these functions.

    Our current technology is being continually updated to enhance its support for budgeting, accounting and financial reporting. The principal challenge has been to achieve better reporting from our core administrative systems, which were designed primarily for transaction processing. Maricopa County's strategy has been to continue using our core administrative systems, AMS Advantage (general ledger) and Integral HRMS (personnel/payroll), rather than invest in a costly "Enterprise Resource Planning" system that would have a doubtful return on investment. We are investing in new technology that will work along side these existing systems and provide better information to support financial management.

In terms of accounting and financial reporting, three notable technology products used to expand the functionality of AMS Advantage are:

- DS Designer is a software that allow us to perform data extracts from our general ledger system. These extracts are performed monthly and provided to departments via Microsoft Access or Excel formats.

- Report.Web is an intranet report distribution tool that translates our daily and monthly general ledger financial reports to electronic versions on the County's intranet. Report Web also produces reports in an Excel spreadsheet format.

- InfoAdvantage, as mentioned earlier, will allow users to define their own reports using on-line analytical processing (OLAP) tools. This capability will greatly enhance the usefulness of financial information throughout the County.

The Office of Management and Budget continues to develop cutting-edge budgeting models in our new Adaytum budget planning system, implemented in 2000. The Adaytum software provides powerful on-line analytical processing (OLAP) capabilities that are being put to use for budget development, budget administration after adoption, and financial forecasting. The Adaytum budget system continues to provide on-line entry of budget data by department personnel, and regular data exchanges with the general ledger system (Advantage) and the human resources/payroll system (HRMS). Reporting has been greatly improved through the new system, and the 10-year financial forecast is being transitioned into the Adaytum system from an off-line spreadsheet system. Future implementation phases wlll include linkage of budget data to performance measures, and wider access to budget data by departments through Adaytum's internet-based "e-budgeting" modules (see GFOA presentation, Attachment FM-21-1).

22. Has your county made any recent improvements or adopted any innovative practices in budgeting, accounting, and financial reporting?

    Overall, the most significant improvements and innovative practices we have adopted relate to the County's Managing for Results (MfR) initiative, and its financial component, Budgeting for Results. Budgeting for Results entails restructuring the budget process, and the budget itself, to align with strategic plans and goals with measurement of results.

As mentioned previously, the Chart of Accounts is being restructured to include programs, activities and services identified through the strategic planning process. This change has led to a wider restructuring and simplification of other elements of the Chart of Accounts, including object codes and funds, that will provide better and more meaningful management information. These changes will require changes in how departments and employees report their activity; for example, all employees will now need to report their time worked by activity or service through the County's new time and attendance system, JAMIS. Structural changes will also allow the County to take full advantage of new financial reporting tools that are being implemented, particularly InfoAdvantage.

Budgeting for Results will also greatly change the process of how the budget is developed. Much less emphasis will be placed on specific positions and line-item detail, and the focus will shift to programs and activities, along with associated performance measures. For FY 2002-03, the budget will be developed and allocated by programs for the first time. In following years, budget development models will use anticipated output levels and estimated unit costs to drive expenditure estimates by program/activity.

By aligning strategic planning with the budget process, Budgeting for Results has required OMB to take on a fundamentally new role in strategic planning. OMB staff now must be able to consult and train, as well as analyze and evaluate, to a much greater degree. OMB has taken on this responsibility with only minor additions to its staffing levels by paying careful attention to scheduling the strategic planning and budgeting processes. Strategic planning processes are being conducted in the summer and fall, traditionally the budget "off season", when staff workloads are less heavy.

Our new budgeting processes are being supported by new technology, particularly our new Adaytum budgeting/planning system. As mentioned previously, both systems make use of on-line analytical processing (OLAP) that will greatly expand our financial management capabilities. The Adaytum budget system continues to provide on-line entry of budget data by department personnel, and regular data exchanges with the general ledger system (Advantage) and the human resources/payroll system (HRMS). Our upcoming implementation of "e-budgeting" with the Adaytum system will allow much greater access to budget information for a wider group of managers and supervisors (see GFOA presentation, Attachment FM-21-1).

In other areas, the fiscal year-end financial reporting function for the Department of Finance has been greatly improved over the past two years. The County has improved regular monthly financial reporting by replacing paper reports with “Report Web”, and has begun creating an archive of all historical financial reports in PDF format, which can be stored and distributed electronically. The County is installing a SQL server database that will allow financial management to store and analyze ten years or more of historical data and maintain massive databases for quick retrieval. Implementation of

InfoAdvantage will begin in July 2001, significantly enhancing our current reporting abilities by allowing user departments to develop their own custom reports and perform data queries on a real-time basis, not restricted to standard, month-end reports. In addition to these specific software technologies, the County leverages the use of tools available in Microsoft Excel such as its "pivot table" feature. This feature allows us to create the financial statements easily and effectively.

Maricopa County is in the forefront in moving from the traditional 'line-item" budgeting to department-level appropriations seven years ago when the Board of Supervisors adopted the first Lump Sum Budgeting Policy. The original policy has evolved into the Budgeting for Results Accountability Policy (see Attachment FM-Document/Information Requested (F)-3). The Budgeting for Results Accountability Policy gives departments discretion and flexibility to use their allocation of the public resources to achieve results, while at the same time establishing clear accountability for keeping expenditures within the Board's appropriations. The Policy also lays out a process of graduated responses to potential or actual budget overruns.

We also take pride in our CIP Debt Service Reserve, which serves both as our "rainy day fund" and a mechanism for cost-effective financing of capital improvements. As mentioned earlier, over the last three fiscal years Maricopa County has built up a reserve of $176.2 million (excluding amounts formally pledged for repayment of the debt), amounting to 21.7% of total General Fund budgeted expenditures. This reserve has been accumulated through sound fiscal management practices, including conservative revenue and expenditure estimates.

Through the use of technology, Maricopa County has greatly expanded public access to the budget process and financial affairs. Both OMB and the Department of Finance provide access to their publications via the County website, www.maricopa.gov. The Department of Finance has Citizens' Summary Financial Report, a comprehensive schedule of property tax rates, the County Debt Management Plan, and five years of the Comprehensive Annual Financial Report available on the web. The Office of Management and Budget provides access to the Annual Business Strategies (adopted budget, CIP and forecasts) back to FY 1999-00, and the latest version of the budget document, the FY 2001-02 Recommended and Tentative Budget documents were made available in their entirety on the web within a day or two of their issuance this year. OMB also provides access to its Research Reports, Policies, quarterly Financial and Personnel Resources Reports, and annual Mandate Study update. The OMB website also allows the public to pass on comments on the budget and the budget process.

PART 2: INVESTMENT AND DEBT MANAGEMENT

23. Please answer the following questions about asset allocation in general.

    a. Please describe how your county allocates its assets across asset classes (e.g. stocks, bonds, cash, commercial paper, real estate, etc.).

    The County does not have any material long-term investments. All budgets are based on an annual collection and expenditure cycle. A minimum fund balance amount is calculated at the beginning of each budget cycle, sufficient to avoid short-term borrowing. Consistent with property tax collections, the County cycles through its cash twice a year.

    Exceptions would include debt service reserve funds that are held for periods of up to fifteen years. These investments are not material to the County's overall portfolio and must be invested according to the same investment rules.

    The County's Self-Insurance Trust Fund starts the budget year with a balance equal to two years of anticipated expenditures. It would not be appropriate to invest these funds in securities subject to interest rate or market risk.

    With the FY 2001-02 budget, the County has designated $124.3 million in the debt service reserve fund to make the scheduled payments for lease revenue bonds for the County's CIP program. The County is exploring the possibility of investing those funds in a Guaranteed Investment Contract (GIC) to ensure that the funds earn at a rate that is equal to the cost of the borrowing.

    Finally, State Statute currently does not allow the County to invest in securities with maturities of greater than three years.

    b. Who decides how your county's assets should be allocated?

    The Maricopa County Treasurer's Office maintains and invests all cash for the County and the other public entities under its jurisdiction.

    By delegation from the Board of Supervisors, the County's Chief Financial Officer directs the investments of bond proceeds and debt service reserve funds held in trust. These investments have also been made in accordance with statutory requirements.

c. Are competitive bids required for the purchase of securities (i.e. *all* financial instruments)?

☒ No ☐ Yes

If not, under what circumstances are negotiated bids allowed?

Because of the limited number of allowable investment alternatives, vendors provide the Treasurer's investment officer with lists of available investments on a daily basis. The Treasurer's Office is able to compare the available investments with the amount of available cash and select the investments that produce the highest overall yield.

d. In what ways is your county legally constrained in its investment activities?

By statute, the County cannot invest in stocks, corporate bonds or real estate. Given that the County cycles through most of its cash twice a year, these limitations are appropriate. Investments in commercial paper, stocks, or real estate present interest rate, credit or market risks that cannot be mitigated to a reasonable level when the investment is held for such a short time.

Cash is invested according to Arizona Revised Statutes Section 34-323, which currently limits all investments to money market funds such as Treasury bonds and bills, Federal Agency notes and bonds, municipal bonds and bank certificates of deposit. Recent legislation will allow the County Treasurer to invest a small portion of the portfolio in corporate debt. The County will move cautiously in utilizing this new authority in order to ensure the safety of the principal and the ability to meet cash flow needs.

24. Please answer the following questions about your county's long-term investment policy for funds <u>other than</u> pension funds. (*By long-term, we mean <u>greater than two years</u>. Please attach any policies governing long-term investments.*)

a. What is the total size of your county's long-term investment portfolio (excluding pension funds and cash management)?

$ <u>N/A See answer to question 23.a.</u>

b. Please explain how your county determines the value of its long-term investment portfolio. (For example, does your county mark to market?)

All investments are marked to market.

c. How often is your county's long-term investment portfolio valued?

Maricopa County does not have long-term investments. However, all short-term to mid-term investments are valued monthly.

d. How would you characterize your county's long-term investment policy?

- ☐ None (Our county does not have a clear investment policy.)
- ☐ Informal (Our county has investment practices, but they are not codified.)
- ☒ Administrative (Our county has codified practices and procedures.)
- ☐ Adopted (Our county has codified practices and procedures that are approved by the county's legislative body.)

e. What strategies does your county employ to optimize the return on its long-term investments?

Statutory limitations, based on A.R.S. Section 35-323, restrict County investments to a maximum of three years and only for eligible investments.

f. Does a formal oversight body exist for monitoring long-term investments?

☒ No ☐ Yes

If so, please identify this body and describe its composition.

N/A

How often do they meet for this purpose?

- ☐ Never
- ☐ Monthly
- ☐ Quarterly
- ☐ Semi-annually
- ☐ Annually
- ☒ Other (*Please specify:* Not applicable)

g. How frequently do investment accounting policies require that information concerning long-term investment performance be reported?

- ☐ Never
- ☐ Monthly
- ☐ Quarterly
- ☐ Semi-annually
- ☐ Annually
- ☒ Other (*Please specify:* Not applicable)

h. To what county departments, offices, or elected officials is this information reported?

All investment information is reported in detail to the County Board of Supervisors and Department of Finance on a monthly basis. A quarterly newsletter is published and distributed to the major participants of the Treasurer's pool. This newsletter summarizes the pool investments and interest rates. The actual interest distributions are reported to the participants as they are posted to the individual funds along with all other fund transactions (see Attachment FM-Document/Information Requested (F)-2).

i. When you calculate your county's annualized return on investment, which of the following do you include? (*Please check all that apply*.)

- ☐ Income from dividends
- ☒ Interest income
- ☐ Realized capital gains and losses

☐ Unrealized gains and losses
☐ Other (*Please specify:* ___________________________________)

j. Please describe what benchmarks your county uses to evaluate the performance of its long-term investments, and identify which benchmarks are used for which investments.

The Standard & Poor's Local Government Investment Pool and the Arizona State Local Government Investment Pool (LGIP) are two comparable investment pools that provide historical data for benchmarking. The State LGIP has been able to invest in corporate paper, which gives it additional investment options, but investments must be for no more than one year. With variations in investment requirements, the Treasurer's Office is able to stay competitive, if not exceed, State LGIP earnings (see Attachment FM-Document/Information Requested (B)-9, p. 28).

k. Do you actively trade all or a portion of your long-term investment portfolio?

☒ No ☐ Yes

If so, please describe how your county manages credit risk, market risk, and diversification.

l. Please describe any obstacles, challenges, or problems that inhibit your county's long-term investment performance.

Although legally the County can invest up to three years, in practice this is used minimally, since the county historically cycles through cash twice a year. However, the County is exploring the possibility of investing in a Guaranteed Investment Contract (GIC). For further information see our response to question 23a.

25. Please answer the following questions about your county's short-term investment policy for funds <u>other than</u> pension funds. (*By short-term, we mean <u>less than two years</u>. Please attach any policies governing short-term investments and cash management.*)

a. How would you characterize your county's cash investment policy?

- ☐ None (Our county does not have a clear investment policy.)
- ☐ Informal (Our county has investment practices, but they are not codified.)
- ☒ Administrative (Our county has codified practices and procedures.)
- ☐ Adopted (Our county has codified practices and procedures that are approved by the county's legislative body.)

b. How does your county pool its cash management funds, or otherwise maximize the amount of money available for investment?

Arizona Revised Statutes requires certain "government" entities to invest their monies through the County Treasurer. The Treasurer is responsible for investing for Maricopa County, 60 school districts and many smaller special districts. The pool currently has a book value of about $2 billion (see Attachment FM-Document/Information Requested (F)-2).

c. What strategies does your county employ to optimize the return on its short-term investments?

All available cash is invested daily. Given the restrictions on investment alternatives, estimating cash flow needs becomes the most important factor so that funds can be invested to maximize the opportunities available from the yields of different maturities.

d. Does a formal oversight body exist for monitoring short-term investments?

☒ No ☐ Yes

If so, please identify this body and describe its composition.

However, the County's Finance department reviews the Treasurer's portfolio to ensure compliance with statutory requirements and to reconcile with the General Ledger.

How often do they meet for this purpose?

☐ Never

☐ Monthly

☐ Quarterly

☐ Semi-annually

☐ Annually

☒ Other (*Please specify:* The investments are monitored by Finance at least quarterly.)

e. How frequently do investment accounting policies require that information concerning short-term investment performance be reported?

☐ Never

☒ Monthly

☐ Quarterly

☐ Semi-annually

☐ Annually

☐ Other (*Please specify:* ______________________________)

f. To what county departments, offices, or elected officials is this information reported?

Investment information is reported in detail to the County Board of Supervisors and Department of Finance on a monthly basis. A quarterly newsletter is published and distributed to the major participants in the Treasurer's pool. This newsletter summarizes the pool investments and interest rates. The actual interest distributions are reported to the participants as they are posted to the individual funds along with all other fund transactions.

g. Please describe any obstacles, challenges, or problems that inhibit your county's short-term investment performance.

The greatest challenge is to estimate the cash flows of all the entities that participate in the Treasurer's pool. Without continual updates of immediate cash flow requirements and future projections, the Treasurer's Office has to rely on historical data. The Treasurer's Office analyzes daily, weekly and monthly cash flow cycles for all entities (cash receipts and disbursements) to insure sufficient monies are available. The Finance Department prepares a daily cash report (see Attachment FM-25.g.-1) which reports the cash position for the County's operations, special revenue and healthcare funds, and provides it to the Treasurer's Office.

This information gives us the basis for daily investing. To insure that the cash is available each day, overnight repurchase agreements or discount notes/bills are utilized for immediate daily requirements. Cash in excess of immediate daily requirements is invested to mature at the point the cash will be needed. We avoid early sale of investments. Market fluctuations can be too costly if early sales are anticipated.

The prevailing intent of Arizona Revised Statutes is to protect the principal balance of public monies first. While the statutes restrict our ability to invest in higher yielding investments, they also protect the public from substantial losses. We will extend the list of eligible investments to include corporate paper and corporate bonds. This will provide additional investment options with little risk of loss.

26. Please answer the following questions about debt management in your county. (*Please attach any policies governing debt management, as well as your county's latest projections for debt ratios and debt capacity.*)

a. How would you characterize your county's debt management policy?

☐ None (Our county does not have a clear debt management policy.)

☐ Informal (Our county has debt management practices, but they are not codified.)
☒ Administrative (Our county has codified practices and procedures.)
☐ Adopted (Our county has codified practices and procedures that are approved by the county's legislative body.)

b. Does a formal oversight body exist for monitoring decisions about debt?

☐ No ☒ Yes

If so, please identify this body or describe its composition.

A Citizens' Bond Oversight Committee was appointed for the most recent 1986 voter-approved bond issues. The committee was dissolved after the County had predominantly spent all of the proceeds from the bond issues. This committee was charged with selecting projects to be submitted to the voters as well as monitoring project expenditures after voter approval. The County also used a Citizens' Bond Oversight Committee in its unsuccessful 1992 bond election. It is our intent to use a public oversight committee for any future general obligation issues.

c. How does your county calculate actual and project anticipated future debt service? In particular, please describe any debt capacity models your county uses.

The Debt Management Plan, prepared by the Finance Department on an annual basis, includes all of the individual debt service schedules on a countywide basis. It is recognized that all debt, regardless of the source of revenue pledged for repayment, represents a cost to taxpayers or ratepayers. Therefore, when calculating actual and projected anticipated future debt service, all types of County debt and other obligations are considered. In addition to the Debt Management Plan, the actual debt service is reported in both the Comprehensive Annual Financial Report at a detail level and the Annual Business Strategies at a summary level. In order to assess debt capacity for anticipated future debt service in conjunction with the ongoing business costs of the County, the County relies on the 10-year forecast to determine potential funding availability. (See Attachments FM-Document/Information Requested (A)-4, pages 606-625).

d. How does your county determine the method of sale (i.e. competitive versus negotiated) for debt?

The County's policy is to use competitive sales unless there are compelling reasons to use a negotiated method. The County recently used a negotiated sale for the following reasons: (1) The transaction was a complicated sale/lease back subject to annual appropriation, (2) The County had not had a public offering of this size ($130 million) in more than ten years. (Maricopa County was not well known in the market place) (3) There was no assurance the transaction could be insured, (4) A negotiated sale offered some flexibility in timing the sale during a period of significant fluctuations in yields, (5) Arizona's large retirement community offered the opportunity to sell a significant portion of the bonds during a retail order period at yields advantageous to the County.

Even though this sale was primarily negotiated, early maturities were actually sold through a competitive process because of high demand.

Attachment FM-26.d.-1 is a discussion model that we use to evaluate the different methods of sale.

e. What formal (statutory or constitutional) limitations does your county have on debt issuance, and to what types of debt do these limits apply? (*Please attach copies of any relevant legislation or policies*.)

In recent years, the County has primarily used general obligation bonds and Certificates of Participation to finance long-term projects. Both types of debt are subject to statutory or constitutional limitations as described in the Arizona Revised Statutes Title 35, Chapter 3 (for new general gbligation debt issues), Title 35, Chapter 3, Article 4 (for general obligation refunding bonds), and Title 11, Chapter 2, Article 4 (for Certificates of Participation) (see Attachment FM-Document/Information Requested (F-2), page 25). In addition, the County debt limit for general obligation bonds is fifteen percent of taxable property, as established by the Arizona Constitution, Article 9, Section 8 (Attachment FM-Document/Information Requested (F-2), page 2).

f. What limitations does your county have on debt maturity (such as a maximum or average)?

It is the County's policy to finance projects for a period of time that does not exceed the economic life of the project. Maricopa County's practice has been to not issue Certificates of Participation (COPs) for a period of more than fifteen years. However, A.R.S., Title 11, Chapter 2, Article 4, Paragraph 46 (Attachment FM-Document/Information Requested (F)-2, page 25) limits the maximum repayment term to twenty-five years for the purchase of improvement of real property.

g. What guidelines does your county have on debt affordability (including projections of economic and demographic variables)?

As of June 30, 2000, the County had a balance of $75.6 million in its General Obligation Bonds Payable. These bonds will be paid off in their entirety by June 30, 2004. The County has a debt limit of fifteen percent of assessed value within the County that is established by Article 9, Section 8 of the Arizona Constitution (Attachment FM-Document/Information Requested (F)-2, page 2). For the Fiscal Year ended June 30, 2000, the limit was in excess of $2.8 billion. In comparison to the Constitutional limit, the County considers its existing debt for general obligation bonds to be minimal and affordable (less than 3 percent of the legal debt limit). While lease-secured and certificate of participation obligations may not be debt under strict legal definitions, they still require future appropriations, and are a fixed charge. Thus, these obligations are considered as well, when considering affordability and reasonableness in comparison to the legal debt limit. As of June 30, 2000, the County had a balance of $35..3 million in capital lease and certificates of participation payable. The County recently issued $130 million of lease revenue bonds to fund the first phase of its five year Capital Improvement Program as discussed in questions 26 and 27. For all debt considered, including the recent issue of $130 million, the County has existing obligations that are considered minimal and affordable (less than 9 percent of the legal debt limit (see Attachment FM-Document/Information Requeted (B)-9, page 224).

h. Does your county include capital leases or certificates of participation in your debt capacity and affordability analyses?

☐ No ☒ Yes

i. Does your county use an independent financial advisor for some or all of your debt planning or issuance?

☐ No ☒ Yes

If so, please describe this relationship.

Maricopa County solicits and awards a financial advisor services contract through the Request for Proposal process. This process requires the County to evaluate qualified firms who have submitted a proposal. The County awards the contract to the most qualified vendor based on the evaluation factors. Currently, the County has a contract with Piper Jaffray for all financial advisor services (see financial advisor's qualifications, Attachment FM-26.i.-1).

j. What exposure does your county have to third party credit providers, third party liquidity providers, or swap counterparties? How does your county assess and manage these risks?

We do not use these investment strategies.

k. Does your county face any major obstacles, challenges, or problems in the areas of debt management?

Since 1995, the County implemented financial and management controls and policies that have resulted in the County's fund balance reaching $154 million by the end of FY 2000 (see bond rating presentation for details of the County's financial recovery, Attachment FM-26.k.-1). In addition, the County's bond ratings have been raised three times by Moody's Investors Service and are now at their highest levels in the County's history (see recent evaluations from both Fitch IBCA and Moody's Investors Service, Attachment FM-26.k.-2).

The County recently went to market with a $130 million lease revenue bond issue that was insured with an underlying rating of AA-.   This transaction was unique in that the amounts required for debt service have already been accumulated and have been deposited in the debt service reserve fund (see The Bond Buyer article, Attachment FM-26.k.-3).

27. Has your county made any recent improvements or adopted any innovative practices in investment and debt management?

The County recently issued $130 million of lease revenue bonds to fund the first phase of its five year Capital Improvement Program. Although the County had accummulated sufficient cash to fund Phase I, debt was issued for the following reasons:

- The amount held in the Debt Service Reserve fund could be used by the County for unforseen emergencies and serves as a "rainy day" fund.

- The amounts held in the debt service reserve fund will earn at an interest rate equal to the rate of the borrowing.

- Amounts deposited in the proceeds account can earn at a rate that exceeds the cost of the borrowing.

In summary, the County is in the unique situation of being able to fund its Capital Improvement Program with cash, but we have issued debt in order to maximize spending flexibility and because borrowing costs are less than what can be earned on the invested funds.

PART 3: PROCUREMENT, PURCHASING, AND CONTRACTS

28. Please answer the following questions about contracting out services in your county. (*Note: Here we are not referring to contracts for capital, such as building or vehicle leases. Also, please attach any policies governing contracts or documents that describe procedures for contracting out services.*)

    a. Approximately what percentage of your county's operating expenditures are for services that are contracted out? 28%

    b. Up to what monetary level can services be contracted out without going through a formal bidding process? $ 35,000 - General County, $100,000 - Health System, Construction - $100,000, Architect/Engineering Services - $250,000

    c. For those contracts that *do not require* a formal bidding process, who has the authority to make the decision to contract out a service?

       The Materials Management Director or designee has authority to contract for services that do not require a formal bidding process and that have a value up to $35,000. Also, departments may have Certified Agency Procurement Aides (CAPAs) who have been given limited authority to make purchases of up to $2,500 utilizing the County's purchasing card, or $1,500 without it.

    d. For contracted out services that *do require* a formal bidding process, who must approve these contracts?

       - ☒ County legislative body (commission, council, or board)
       - ☐ Chief elected official
       - ☐ Chief administrative official
       - ☒ Central county office (*Please identify this office*: Materials Management or County Engineer)
       - ☐ Operating department or department head
       - ☐ Other (*Please explain.*)

    e. What major activities or functions rely heavily on contractors? (*Please check all that apply.*)

       - ☒ Public works and utility services
       - ☒ Transportation
       - ☒ General government support services

☒ Health, human services, and social welfare
☒ Public safety and corrections
☒ Parks and recreation services
☒ Other (*Please list.*)

Maricopa Integrated Health System (MIHS) has an executive management and consulting contract with the Intensive Resource Group.

f. What are the largest contracts for services your county currently has?

Lower Buckeye Jail Adult Detention - $98.9 million

Employee Benefits - $52 million per year

Physican Contracts - $42 million per year

Lower Buckeye Jail Central Services - $40 million

Jackson Street Parking Garage - Design Build - $22.3 million

Forensic Science Center and Parking Structure - $19.8 million.

Intensive Resource Group (MIHS Management) - $12.3 million

Comprehensive Healthcare Center Renovation - Construction - $10.1 million

Janitorial Contracts - $9 million per year

County Adminstrative Building (Architect) - $7.1 million

Contract Attorneys - $4 million per year

g. On what basis does your county decide whether or not to contract out a service?

Maricopa County strives to be the lowest cost, highest quality provider of public services in Arizona. Strategic and pragmatic use of services available from the private, not-for-profit, and volunteer sectors are part of that strategy. County management will look first to a presumption of utilization where an active marketplace of services exists within any of the sectors. Where there are high levels of expertise and an active marketplace in the private sector, the County will look first to obtain services there. Where there is an inherent trust and highly sensitive public policy issues, such as law enforcement, there will be a presumption of looking first to traditional public sector service delivery. Wherever practical, a competitive process will be used to determine how services will be delivered.

The goal is to look at every service decision as a matter of sound business reasoning and public trust, recognizing the changing nature of the marketplace.   What served as a management solution for one period of time may not continue to be the management answer for the future. Improving management is a continuous process. Each contract renewal revisits the question of how best to provide services at the least cost with the highest quality.   Cost and quality of services delivered determines the overall value provided to the public.

The process of analysis must be objective, and business decisions must be made in the interest of taxpayers, recipients of service, and those that pay fees for service. Inherent in these decisions is the use of performance measurement data. This includes not only the total comparative costs of various delivery methods for programs, but also the unit costs of individual services and customer satisfaction data as well.

The Board of Supervisors encourages county management in both appointed and elected departments to utilize this competitive analysis philosophy for the purpose of making continuous improvements to county operations. The Board of Supervisors approved this process on January 31, 2000 (see Maricopa County Competitive Analysis Philosophy, Attachment FM-28.g.-1).

h. Which of the following aspects of bids from potential contractors does your county assess? (*Please check all that apply.*)

☒ Price

☒ Assurances of timely delivery

☒ Quality or performance standards for the product or service

☒ Qualifications of the producer

☒ Producer’s record of performance

☒ Other (*Please list.*)

Financial condition, references, knowledge and skills, licensure, ability to provide required insurance.

i. What other criteria influence the selection of contractors (such as, for example, bids must be solicited from small or minority-owned businesses)?

Maricopa County has a Minority- and Women-owned Business Enterprise (M/WBE) program that has established a goal of providing M/WBE business entities equal access to County procurement opportunities. However, there is no set aside or monetary preference given to these vendors. In addition, due to the geographic size of the County some contracts will be awarded on that basis to permit convenient access to materials or services (see M/WBE policy, Attachment FM- 28.i.-1).

j. How does your county monitor its contractors and track its contracts?

- ☐ Our county has no formal oversight process for its contracts.
- ☐ Contracts are overseen by the operating department or division only.
- ☐ Contracts are overseen by a central county office only. (*Please identify this office*: ____)
- ☒ Contracts are overseen by the operating department or division and a central county office.
- ☐ Other (*Please explain.*)

k. What provisions are in place to ensure that contractors comply with the terms of the contract?

On large or complex contracts pre-solicitation meetings are held to assure that interested vendors are knowledgable of the contract requirements.

On most contracts, post-award meetings are held with the successful contractor and the primary using department or departments to introduce key personnel and to make sure that all parties are aware of their responsiblities under the contract. This forum is also used to clarify problem resolution processes.

Formal contract monitoring activities are conducted by Materials Management personnel to assure compliance with contract requirements. This process gathers input from the using department(s), the contractor(s) and the responsible procurement personnel. Issues, concerns and non-compliance areas are identified and resolved through this process.

Individuals within County departments are assigned responsibility for performing contract administration duties. These individuals monitor contractor performance and act as a liaison to Materials Management when significant contract compliance issues are identified. To facilitate departmental reporting of contract compliance issues, the Department of Materials Management has developed and placed on the

County Intranet a vendor complaint form that formalizes the reporting and incorporates resolution documentation by the responsible procurement personnel.

The County Internal Audit department conducts formal audits of contract activity during their scheduled audits of County departments. In addition, when significant contract compliance issues are identified, special requests are made to the Internal Audit Department to conduct a more intensive and thorough review of contract activity.

Accounts Payable checks payment requests submitted to identify payment issues.

For construction projects, the Project Managers (and in the case of vertical construction, architects) are required to validate requests for payment. These individuals sign or initial payment requests noting contract compliance.

l. To what extent does your county use master contracts that allow managers to obtain services as they need them?

- ☐ Our county almost always uses master contracts.
- ☒ Our county often uses master contracts.
- ☐ Our county sometimes uses master contracts.
- ☐ Our county rarely uses master contracts.
- ☐ Our county almost never uses master contracts.

m. Does your county have a formal policy dictating the timeframe within which contractors must be paid?

☐ No ☒ Yes

If so, please explain this policy (*or attach relevant documents*).

Administrative policy #AP0899 (Attachment FM-28.m.-1) was implemented to establish a consistent policy for taking payment discounts offered by contractors. This policy requires that departments take the necessary steps to ensure that discounts offered are taken when in the best interest of the County. This policy is reinforced by regular reporting of discounts lost by department (Attachment FM - 28.m.-2). Maricopa County construction projects contractors are compensated in accordance with Arizona Revised Statutes Title 34 (Attachment FM-Document/Information Requested (F)-2).

n. What training about how to oversee contracts and contractors is required for managers responsible for services that are contracted out in your county? What additional optional training is available and to what extent do managers obtain it?

Maricopa County does not mandate training for department managers responsible for services contracted out by the County. Since managers are usually not responsible for day-to-day contract management, emphasis is placed on assuring that training is available for individuals who have responsibility for monitoring contracts, and that the training offered addresses their specific needs. Because of the scope and complexity of these contracts, the County includes contact management experience in job requirements when recruiting for positions assigned contract administration responsibilities.

Optional training includes an eight-hour training session on contract development, compliance and monitoring offered periodically by the Department of Materials Management (Attachment FM-28.n.-1).

The Maricopa County Departments of Internal Audit and Materials Management jointly offer a contract administration class. While this training is not mandatory, the County Administrator has expressed his expectation that all County personnel who have contract administration duties will attend this training session. Additional training sessions will be developed and offered as needs are identified (see training video and materials, Attachment FM-28.n.-2).

A procurement training session was conducted at the County Administrative Officer's April 2001 Management Retreat. This training covered many facets of governmental procurement, including contract administration. Attendees at this retreat included department directors, representatives from elected offices, and top management from several of the larger County departments (see presentation, Attachment FM-28.n.-3

Contract administration activities are also included in training sessions offered as part of the County's Certified Agency Procurement Aide and Procurement Card training activities.

Maricopa County also delegates a higher level of procurement authority to individuals within departments through our delegated procurement officer program. There are currently two delegated types, one that pertains strictly to construction activity, and the other that is limited to professional services or commodities that are unique to a department. For these individuals, required training is developed specifically for each individual to address their specific needs from a broad lesson plan. The County currently has fifteen delegated procurement officers for construction and eight for commodities and services (see lesson plan, Attachment FM 28.n.-4).

All training, with the exception of delegated procurement officer training, is advertised in the County's quarterly training catalog and facilitated by the County Training division within the Human Resources Department. The intent is to make the availability of training opportunities as widely known within the County as possible, and to provide a central point for registration to reduce confusion and increase participation.

29. Please answer the following questions about purchasing goods in your county. (*Please attach any policies governing purchasing.*)

a. In what documents are formal purchasing policies codified in your county? (*Please check all that apply.*)

- ☐ Our county has no formal (written) procurement policy.
- ☐ Procurement policy and procedures are specified in directives from the chief elected official.
- ☒ Procurement policy and procedures are specified in directives from the county's legislative body.
- ☒ Procurement policy and procedures are specified in directives from the chief administrative official.
- ☐ Procurement policy and procedures are addressed in a procurement manual issued by an administrative office.
- ☐ Procurement policy is codified in county statutes.
- ☐ Other (*Please list.*)

Refer to the Maricopa County Procurement Code, (Attachment FM - Document/Information Requested (F)-1).

b. Does your county have a formal process for obtaining bids or quotes for goods?

☐ No ☒ Yes

If so, up to what dollar value can purchases be made *without* a formal bidding process? $ 35,000 - General County, $100,000 - Health Services

c. For goods that *do require* formal bids or quotes, who must approve purchases?

☒ County legislative body (board, council, or commission)
☐ Chief elected official
☐ Chief administrative official
☒ Central county office
☐ Operating department or department head
☐ Other (*Please explain.*)

The Maricopa County Procurement Code specifies that the Board of Supervisors are the contracting authority for the County unless otherwise delegated. Section MC1-201.E. of the Procurement Code sets forth those positions delegated to contractually bind the County and the limits of that delegation:

"Section MC1-203.E. Director shall have the authority to Award Contracts with aggregate annual dollar amounts up to one hundred thousand ($100,000) and Contract terms up to five (5) years from the effective date of the Contract. Procurement requirements shall not be artificially divided or fragmented to circumvent source selection procedures required by MC1-316 or MC-329. All Contracts Awarded in this manner shall be reported to the County Administrative Officer by the last business day of each month."

Under the Procurement Code the Director is defined as the Director of Materials Management, or in the case of construction procurements the County Engineer.

d. For those purchases that *do not require* formal bids or quotes, who has the authority to decide to purchase a good?

- Procurement Consultants within the Materials Management Department, which is the Central Procurement Office (see Article 3 of Maricopa County Procurement Code, Attachment FM-Document/Information Requested (F)-1).

- Certified Agency Procurement Aides who are trained and delegated procurement authority from Materials Management (see response to Question 28.k).

- Maricopa Integrated Health Services Procurement Officer who has been delegated procurement authority from Materials Management (see Article 13 of Maricopa County Procurement Code (Attachment FM-Document/Information Requested (F)-1).

- The County Engineer or his/her designee in procurement of construction services (see Article 5 of Maricopa County Procurement Code (Attachment FM-Document/Information Requested (F)-1).

e. To what extent does your county use master contracts with vendors that allow managers to purchase goods as they need them?

☐ Our county almost always uses master contracts.
☒ Our county often uses master contracts.
☐ Our county sometimes uses master contracts.
☐ Our county rarely uses master contracts.
☐ Our county almost never uses master contracts.

f. What provisions are in place to ensure that vendors comply with the terms of the bid or quote?

Refer to response to Question 28.k.

g. What other criteria influence the selection of vendors (such as, for example, bids and quotes must be solicited from small or minority-owned businesses)?

Maricopa County has a Minority- and Women-owned Business Enterprise (M/WBE) Program that has established a goal of providing M/WBE business entities equal access to County procurement opportunities. However, there is no set aside or monetary preference given to these vendors. In addition, due to the geographic size of the County some contracts will be awarded on that basis to permit access to materials or services (see Maricopa County Minority and Women Business Enterprise Program policyAttachment FM -28.i.-1).

h. Does your county set a maximum dollar limit below which managers have full authority to make purchases without higher-level approval?

☐ No ☒ Yes If so, what is this limit? $ 100.00 (See petty cash policy, Attachment FM-Document/Information Requested (F)-10.)

i. Does your county grant special authority for purchasing in the case of emergencies?

☐ No ☒ Yes

If so, for what emergencies?

Below is an excerpt from the Maricopa County Procurement Code which relates to emergency procurements:

MC1-346 EMERGENCY PROCUREMENT

A. Notwithstanding any other provisions of this code, upon declaration of an emergency or other approval as required under MC1-347, the CAO may make or authorize others to make emergency Procurements if there exists a threat to public health, welfare, property or safety or if a situation exists which makes compliance with MC1-316 or MC1-329 impracticable, unnecessary or contrary to the public interest. Such emergency Procurements shall be made with such competition that is practicable under the circumstances. A Written Determination of the basis for the emergency and for the selection of the particular Contractor shall be included in the Contract file.

B. Emergency conditions may arise from, but are not limited to, floods, epidemics, riots or equipment failures. An emergency condition creates an immediate and serious need for Materials, Services or Construction that cannot be met through normal Procurement methods and that seriously threatens the functioning of Maricopa County Government, the preservation of property or the public health or safety.

C. An emergency Procurement shall be limited in time and quantity to those Materials, Services or Construction necessary to satisfy the emergency need.

MCI-347.B. defines the emergency procurement approval limits. Emergency procurements with a value in excess of $35,000 must be approved by the County Administrative Officer. Emergency procurements of $35,000 or less require the approval of the Director of Materials Management.

To what department or departments is this authority granted?

All County departments with approval of County Administrative Office.

j. Who is responsible for oversight of procurement in your county? (*Please check all that apply.*)

- ☒ Legislative committee
- ☐ Chief elected officer
- ☒ Chief administrative officer
- ☒ Central county office
- ☒ Department heads
- ☐ Division heads
- ☐ Other (*Please explain.*)

k. Who approves *small* purchases in your county? (*Please check all that apply.*)

- ☐ Chief elected officer
- ☐ Chief administrative officer
- ☒ Central county office

☐ Department heads
☐ Division heads
☒ Other (*Please explain.*)

Certified Agency Procurement Aide (CAPA)

The intent of the CAPA program is to delegate limited procurement authority to County departments and agencies. This delegated authority carries with it the responsibility to comply with the Maricopa County Procurement Code (MCPO), follow County policies and procedures, use good judgement, and act in a fair and ethical manner.

CAPA's are authorized to make procurements for commodities and specific services under the following conditions:

1. Single transactions with a vendor for an item or grouping of items shall not exceed $2,500.00 for non-contract items after obtaining a minimum of three (3) written or verbal quotes which must be documented and included in the procurement file.

2. Single transactions with a vendor for an item or grouping of items shall not exceed $10,000.00 for items contained on a County contract.

3. Cumulative expenditures for an item or grouping of similar non-contract items shall not exceed $5,000.00 per fiscal year.

4. Cumulative expenditures for an item or grouping of similar contract items shall not exceed $50,000.00 per fiscal year. This dollar amount may be increased with the approval of the Chief Procurement Officer.

5. Purchases of $1,000.00 or less are considered nominal value and do not require competitive pricing.

Refer to attachment FM-29.k.-1, Certified Agency Procurement Aide policy.

30. Does your county face any challenges or problems in the areas of contracting or purchasing? In particular, please describe any obstacles that inhibit efficient contracting or purchasing.

The burdensome requirements of government procurement, intended to ensure fairness and lowest cost, make it difficult for departments to compete with private-sector rivals. The risk-averse nature of government makes meaningful change more difficult and lengthy.

From a policy standpoint it is difficult to engage policymakers in making significant and meaningful change to antiquated procurement statutes due to other competing priorities that have a much larger constitutency. For example, the Arizona State Legislature during its 2000 session made minor changes to the state procurement statutes and formed a procurement reform study committee composed of legislators, the business sector, and representatives of local governmental entities. The mandate of this committee was to review current state statutes, the existing business environment, and formulate recommendations that would be considered during the next legislative session. The end result of this mandate was that the committee was never called together and its charter expired without any substantive recommendations.

Finally, competition from the private sector as well as other governmental jurisdictions, compounded by a low overall unemployment rate, has made it more difficult to recruit and retain qualified procurement professionals. The County has addressed this problem by raising salaries to market rates, and as a result turnover in the procurement agency has been reduced.

31. Please describe any ways in which the information technology currently in place for managing purchasing or contracting either impedes or dramatically enhances your county's ability to manage its purchases or contracts.

Maricopa County utilizes a central financial system from American Management Systems (AMS). This application is a financial system with a procurement subsystem. The procurement module offers limited functionality and features to increase the overall efficiency of procurement activities. The strength of the AMS system is that it tightly integrates the order and payment processes, which eliminates the need for complex system interfaces. Maricopa County is currently evaluating electronic procurement options with the goal of implementing a system that provides the features and functionality required of a dedicated procurement solution that can be interfaced to the AMS system to capture financial data.

Technology has contributed to the success of the County's purchase card program described in question 32. Through the use of a software application provided to the County by our purchase card provider, employees issued purchase cards are able to reconcile their transactions, change accounting information and identify potential fraud. Expenditures are uploaded to the County central financial system where transactions are spread to the appropriate funding sources and a lump sum payment is issued to the purchase card provider. This system also provides a means for monitoring personnel within the County's central procurement office to review transactions to assure compliance with purchase card usage policies.

The implementation of a standardized e-mail system within the County has dramatically increased the ability of procurement staff to communicate with their user department customers. Through the use of e-mail, specifications and other procurement-related communications can be conducted almost instantaneously, significantly reducing procurement cycle time.

32. Has your county made any recent improvements or adopted any innovative practices in contracting or purchasing? In particular, does your county use any innovative contracting arrangements?

One method of procurement that Maricopa County has embraced is cooperative procurement. Through the use of cooperative procurement agreements, many governmental entities, including Maricopa County, are achieving volume pricing that in the past has not been attainable through independent contracting efforts. By banding together and combining the requirements of several jurisdictions, govermental entities have a greater ability to influence the market for certain commodities and services. We believe that the opportunities and benefits have only recently been realized and that this type of procurement activity will be further enabled through the use of technology for communicating requirements and placing orders. Technology will render geography irrelevant and promote greater cooperation.

Maricopa County implemented a purchase card system over six years ago, with the initial focus on increasing the effectiveness of small-dollar purchases. As the system has matured, its applicability to larger and more diverse procurements have been recognized and implemented. Currently, annual procurement card activity exceeds of $20 million dollars, and is anticipated to grow (see Maricopa County Procurement Card Policy, Attachment FM 32.a.-1).

Maricopa County recently awarded a credit and debit card processing contract. This contract will allow County departments and agencies to accept credit and debit cards for many of the services and information currently offered. Examples of the areas where this service will be directly applicable include filing fees, payment of fines and court-related fees, permit fees, and animal adoption fees. The potential of offering taxpayers the option to use credit or debit cards for payment of property and other taxes is also being actively explored.

Due to difficulties and department dissatisfaction with the County's use of contract travel agents, the Board of Supervisors approved an innovative travel procurement policy that permits departments to utilize the Internet for comparing prices and making travel, car rental, and lodging reservations. Use of this alternative method for travel has reduced total travel costs and dramatically increased overall satisfaction.

In 1998, Maricopa County entered into a purchasing agreement with a Group Purchasing Organization (GPO) to minimize costs to our health system. The arrangement was secured through the Intensive Resource Group contract, which is in place to provide management services for the County's health system. Maricopa Integrated Health System is utilizing this GPO for procuring pharmaceuticals and other medical supplies. Over the last three years the County has saved over $5 million and 10% of gross costs through utilization of this GPO.

The Department of Materials Management established a centralized contract monitoring function approximately three years ago to provide the ability to continuously review contract activity. The objective of this function is to provide assurance that both the contractor and the County are in compliance with contract terms, conditions, performance requirements and pricing. Input is obtained from the individual responsible for conducting the procurement, the assigned contract administrator, and the contractor to assure that all parties have an opportunity to make known their concerns and problems. The results of this monitoring activity are formalized in a report and issued to the responsible parties for resolution. Contracts are selected for monitoring based on their complexity, history or problems, assessed risk to the County, and dollar value (see Contract Monitoring Procedures, Attachment FM-32).

Thank you for your valuable assistance in providing this information.

Please provide the names, contact telephone numbers, and email addresses for those who completed this section of the survey:

Name: Christopher Bradley Job Title: Budget Manager

Phone: (602) 506-4960 Email: cbradley@mail.maricopa.gov

Name: Shelby Scharbach Job Title: Deputy Finance Director

Phone: (602) 506-1367 Email: sscharbach@mail.maricopa.gov

Name: Andrew Huhn Job Title: Deputy Finance Director

Phone: (602) 506-2578 Email: ahuhn@mail.maricopa.gov

As you know, Governing *magazine will follow up with interviews on the topics covered in this survey. To make sure that the proper people are interviewed, please provide suggestions and contact numbers below.*

Who would you recommend that we contact for interviews about budgeting, accounting, and financial reporting?

Name: Christopher Bradley Job Title: Budget Manager

Phone: (602) 506-4960 Email: cbradley@mail.maricopa.gov

Name: Andrew Huhn Job Title: Deputy Finance Director

Phone: (602) 506-2578 Email: ahuhn@mail.maricopa.gov

Who would you recommend that we contact for interviews about investment and debt management?

Name: Tom Manos Job Title: Chief Financial Officer

Phone: (602) 506-8912 Email: tmanos@mail.maricopa.gov

Name: Shelby Scharbach Job Title: Deputy Finance Director

Phone: (602) 506-1367 Email: sscharbach@mail.maricopa.gov

Who would you recommend that we contact for interviews about procurement, purchasing, and contract management?

Name: Wes Baysinger Job Title: Materials Management Director

Phone: (602)506-3247 Email: ____________

Name: ____________ Job Title: ____________

Phone: ____________ Email: ____________